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The 1980s: A Decade of Diversity

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Broadcasting, Satellites, and Pay-TV

Report of the Committee on
Extension of Service to
Northern and Remote Communities



Canadian Radio-television
and Telecommunications
Commission

Conseil de la radiodiffusion
et des télécommunications
canadiennes



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Letter of Transmittal: Committee on Extension of Service to Northern and Remote Communities

Dr. John Meisel,
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Canadian Radio-television and Telecommunications Commission
Ottawa, Ontario K1A 0N2

Sir:

I have the honor to submit the following report, on behalf of the members of the Committee on Extension of Service to Northern and Remote Communities, whose names are listed below.



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July 1980

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Preface

- x The appointment of the Committee on Extension of Service to Northern and Remote Communities was announced by the Canadian Radio-television and Telecommunications Commission on 8 January 1980. The Committee was formed to "issue a report on how the number and variety of television services to northern and remote communities in Canada might best and most expeditiously be increased (and also to) deal with issues related to satellite distribution of programs and pay-television" (see Appendix A). The nine members of the Committee were drawn from various provinces and regions. Five are members of the CRTC, but all acted as independent citizens in participating in the Committee's work. Although this report is addressed to the Chairman of the CRTC, it is also a public report to the people of Canada.

The relevant correspondence in 1979 between the then federal Minister of Communications, David MacDonald, and Charles Dalfen, Acting Chairman of the Commission at that time, is reproduced in Appendix B. The objectives and guidelines mentioned in the Minister's letter of 22 November are to be found in Appendix C for satellite television services, and in Appendix D for pay-television.

The Committee received nearly 400 communications from governments and municipalities; broadcasting networks and undertakings; telecommunications carriers; manufacturers and others interested in participating in pay-television; educational authorities and institutions; Inuit and Indian representatives; consumer and special-interest associations and organizations; and concerned private citizens in all parts of the country. To ascertain the public interest in the matters within the Committee's purview, five public meetings were held to give all concerned the opportunity to express their opinions and recommendations in person. Transcripts of the proceedings at those meetings are on public record, as are the submissions.

Public meetings were held in Baker Lake, NWT; Whitehorse, YT; Geraldton, Ontario; and Goose Bay-Happy Valley, Newfoundland (Labrador); and the National Capital Region (Ottawa/Hull). The meetings were well attended and were of great assistance to the Committee in its understanding of the

needs of Canadians living in northern and other remote areas. The public meeting held in Hull had to be prolonged for 12 days to accommodate all those who had presentations to make. A list of the organizations and individuals appearing at these meetings is given in Appendix E.

The Committee wishes to express its appreciation for the outstanding services rendered by its Executive Secretary, Ralph Zeitoun. The long-standing experience and wisdom of Henry Hindley in the preparation of the report is gratefully acknowledged. Our sincere thanks are also extended to the members of the CRTC staff, who worked on this project, and to the Commission itself for making their services available.

A New Broadcasting Universe

Canadians are justifiably proud of their achievement in providing broadcasting services in two official languages throughout so vast a country, but there is no room for complacency about an achievement that is incomplete. Those who are best served may find it hard to believe that there are thousands of Canadians who have no television at all, and even some who do not have radio. There are tens of thousands who have no alternative television programming and no programs of direct local or regional interest. Those who live in the southern metropolitan areas have more choice of programming than almost any other people in the world, and many of them have a wider choice of American programming than most Americans. They may be aware that one of the hardships suffered by those who live in the "true North, strong and free" is a lack of even minimal broadcasting services, but few metropolitan Canadians are aware that there are also areas in the provinces with no local radio service, let alone television.

Many deficiencies in recent years have been remedied by the implementation of the Canadian Broadcasting Corporation's Accelerated Coverage Plan (ACP), for which special funds were appropriated by the federal government. The objectives of the ACP are to provide radio and television service, in the appropriate official language, to every community or area with a population of 500 or more, and to provide intraprovincial feeds. After the ACP has been fully implemented, the most practical means of reaching most of those Canadians who remain underserved, or nor served at all, will be the use of communications satellites; but satellite transmission is costly. How, then, is the extension of services to be paid for?

Parliament has declared, in Section 3(e) of the Broadcasting Act, that "all Canadians are entitled to broadcasting service in English and French as public funds become available." An abundance of evidence has convinced the Committee that public funds have not become available quickly enough to meet the needs, the justifiable needs, of millions of Canadians spread through every province and territory. The national broadcasting service that the Canadian Broadcasting Cor-

poration (CBC) is required to provide, and for which public funds are appropriated, is not yet available in all parts of the country. There is evidence that the proportionate level of public funding of single national services in many other countries is higher than that for the CBC, which must provide complete national services in English and French. The Committee is not breaking new ground in affirming that the CBC has been the backbone of the Canadian broadcasting system for more than 50 years and must so continue.

Our first unanimous conclusion is that immediate action must be taken to meet the needs of the many Canadians who believe that, as regards broadcasting, they are being treated as second-class citizens. First among these are the native peoples, the Inuit and the Indians, not all of whom live in the North. The thousands of other Canadians living in the North are not alone in feeling deprived, for there are almost equally remote communities in many of the provinces. Finally, there are tens of thousands of Canadians who are underserved, by any standard, even though their communities cannot be described as geographically remote. In short, there are several million Canadians who have reasonable cause for complaint and, in rapidly increasing numbers, they are seeking to satisfy their needs by the unauthorized reception of broadcast signals from American satellites. We cannot stress too strongly the immediacy of the problem: alternative television programming must be provided from Canadian satellites with no further delay.

We are not unconscious of the realistic limits to the provision of public funds for the extension of broadcasting services, and have therefore closely examined other possible means of financing. We shall revert to this matter later in this report, but there is one aspect that must be dealt with here.

In the proposals for extension of services, some proponents of pay-television (pay-TV) have suggested that part of the profits should be used as 'the engine' for extension of service, but we have strong reservations. First, there is no logical connection between the two, so some other justification for this policy would have to be found. Second, if pay-

2 TV were to be introduced in Canada and were successful, it would be some time before any significant funds could flow to the extension of service; that is too long to have to wait. Third, if the extension of service were dependent on the profits from pay-TV, what would happen if it were not a commercial success in Canada? Fourth, the presentations to the Committee show that broadcasting services could be extended effectively without recourse to an unwieldy mechanism for the allocation of funds derived from the profits of pay-TV, which could be better used to develop the Canadian program-production industry. We therefore decided to treat pay-TV as a quite separate issue in this report because there is no justification for linking it with the extension of services. We regard the latter as by far the most important issue before us.

Opponents of pay-TV see it solely as a vehicle for flooding the Canadian market with yet more US programming. But the fact is that there are many people in Canada (other than cable subscribers) who are already paying for the local delivery of broadcast services that would not otherwise be available to them, and we have had plenty of evidence that there are many others who would be willing to pay reasonable amounts for better service. We revert to this subject later in greater detail, but must make the point here that direct payment by the consumer (for all but essential services) may be a reasonable way to finance the extension and expansion of services where public funds cannot be made available, or where their provision could not be justified.

We would also draw attention to the implications of one particular characteristic of satellite carriage of broadcast signals. It is that any satellite signals can be received, broadly speaking, in every part of the country. Any independent station carried by satellite could become, in effect, a new competitor for every broadcaster. And it is on the broadcasting stations (whether or not they are affiliated to one of the national networks) that the system relies, and must continue to rely, for local and regional news, information, and other programming. Satellite services are fine for mass-appeal entertainment, and for na-

tional and international news and information. They are not always so well suited to satisfying local and regional broadcasting needs. The Committee is therefore convinced that any proposal for new satellite services must take into account an assurance that the provision of local and regional programming be maintained and expanded.

The impact of new technology on the Canadian broadcasting system did not happen overnight, but there has been a tendency in the past to wait and see what would happen next. Cable television, at first seen as a means of extending broadcasting services to places where off-air reception was impossible or unsatisfactory, has become a service that more than half the television households in Canada are willing to pay extra for. Its spread could not have been limited indefinitely and might have been better integrated with the broadcasting system had effective planning been undertaken in the first place. Those who, for one reason or another, cannot have cable service with its potentially rich choice of popular programming are fully aware that a wider choice could be made available from Canadian satellites. But failure to provide alternative programming on Canadian satellites has led many people to take the law into their own hands, giving themselves a wider choice through the unauthorized reception and delivery of signals broadcast from US satellites.

For the past ten years or more, advisory or consultative committees have been urging governments to start planning so as to ensure that Canada will be able to maintain its rightful place in a totally new telecommunications universe, but for the most part their urgings have been in vain. This new technological universe is no longer to be regarded as visionary it is already taking shape at a pace that is inexorable. An astonishing variety of broadcasting services is now available thanks to satellite carriage, and this is only the tip of the iceberg.

The Committee has addressed itself to two separable aspects of the matters under consideration. First, what could and should be done as quickly as possible within the existing

system and the provisions of the present Broadcasting Act, given the will by governments to face facts and make the best of them? Second, it is not to be supposed that only technological and economic change is to be faced, for this in itself will necessitate the evolution of a new structure for communications in Canada. The Committee is not able to predict what that new structure will be or how long it will take to evolve. It is important, nevertheless, to establish the broad principles that should govern its broadcasting component if the legitimate needs, interests, and expectations of Canadian consumers are to be fully satisfied.

In ascertaining the nature and extent of those needs and expectations, we have been helped by nearly 400 briefs and letters from governments and municipalities, from organizations representing virtually every facet of interest in broadcasting, and from concerned individual citizens. At the five public meetings, we had the benefit of discussions with many of those who are directly concerned in one way or another with the future of Canadian broadcasting. As a Committee, therefore, we are in a position to make the following recommendations for immediate action.

Recommendation 1 The CRTC should immediately call for licence applications for the delivery, in remote and underserved areas, of a range of Canadian satellite television services that would be attractive to Canadian audiences.

Recommendation 2 As a purely interim measure of an experimental nature, the federal government should arrange and pay for one composite public service channel of alternative entertainment programming to be delivered by satellite to remote and underserved areas as authorized by the CRTC.

Recommendation 3 Immediate action should be taken to ensure that the national radio services be made available in all parts of Canada as soon as possible.

The Committee has further concluded

ed that there are some broad principles that should govern planning for the extension of broadcasting services to remote and underserved areas of Canada and the following recommendations embody those principles.

Recommendation 4 Canada must fulfil its obligation to provide opportunity for its native peoples to preserve the use of their languages and foster the maintenance and development of their own particular cultures through broadcasting and other communications.

Recommendation 5 The extension of broadcasting services to northern and remote areas must not rely upon subsidies from pay-television.

Recommendation 6 It must be recognized that residents in remote areas may have to contribute to the cost of receiving all but the national broadcasting services, and such contributions must be kept down to the lowest feasible amounts.

Recommendation 7 Approval for the introduction of any new satellite service must take into account the essential need to provide, maintain, or expand facilities for community and regional services.

Recommendation 8 Planning for the broadcasting system of the future must be flexible enough to accommodate technological, legislative, and structural change.

Defining the Challenge

4

2.1 A Wider Approach

The terms of reference of the Committee refer to the extension of services to "northern and remote communities." Very early in our work we were faced with two questions in that regard: how far south does the North extend, and what constitutes remoteness?

Straight lines on maps are often misleading. The 60th parallel, which marks the boundary between the western provinces and the territories, is a case in point; many people suppose that that is where 'the North' begins. But there are vast areas in six of the provinces where the climate and hardships are indistinguishable from those in the territories. People living in those areas have broadcasting needs and expectations that differ from those of everyone else in Canada only in the degree that they are inadequately satisfied.

The same can be said for large numbers of people living further south. For instance, when people in southern Ontario speak of "the North" or "northern communities" they are often referring to places that are actually south of the 49th parallel, which marks the boundary between the western provinces and the US. Geraldton, Ontario, where we held a public meeting, is regarded in Toronto (and by itself) as a northern community, although it lies farther south than Winnipeg. Again, geographical remoteness is not necessarily a factor in remoteness from adequate broadcasting services. There are communities little more than 100 miles from the largest metropolitan centers that are remote in a broadcasting sense, while others far more geographically remote are much better served. But that is not the end of the matter, for in every province there are whole areas, not just communities, that are underserved by any reasonable standard, and deserve as much attention in the context of extension of services as any other parts of Canada.

We have accordingly taken the liberty of interpreting our terms of reference as applying to all parts of Canada where essential needs have not yet been met, the underserved

communities and areas where broadcasting services must be extended and expanded.

2.2 Demography and Languages

In ascertaining broadcasting needs, degrees of longitude are no more helpful than degrees of latitude. There is no need for us to dilate on the problem of providing broadcasting services in the two official languages; much has been achieved in the past decade, but no alternative service in French is available west of Ontario and in most of the Atlantic region, while there are pockets of francophones all over the country (and of anglophones in Québec) who are not served at all in the official language they habitually use. In worse case are the native people of Canada. The problems of the Inuit have been put to us forcefully and lucidly at our public meetings; even they cannot be treated integrally, for they use two distinct dialects of their common language in the western and eastern Arctic respectively. The Indian peoples of Canada are more widely dispersed throughout the country and use many different languages and dialects; it is thus the more difficult to identify and satisfy their broadcasting needs.

2.3 Provincial and Territorial Concerns

Cutting across all the geographical, demographic, and linguistic requirements for broadcasting services there are the direct interests of the governments of each of the provinces and territories. Education, of course, stands first. At present, only Ontario and Québec (and, to a lesser extent, British Columbia and Alberta) are directly providing educational broadcasting services, but the door must be kept open to accommodate the educational needs of the others in the future. Quite apart from education, those orders of government share a common concern: that of

providing better amenities for people living outside the large centers of population, having regard as well to the relocation of industries that is occurring in many provinces. Television is coming to be regarded as a necessary amenity of life; its absence, or even a lack of variety in programming, may impede such relocations, and is said to have a significant impact on the turnover of employees in the resource industries on which so much of the Canadian economy depends. Some governments are taking action to provide or improve delivery facilities in smaller and remote communities for those reasons. The representations made to the Committee by some provincial and territorial governments are summarized, in the appropriate contexts, later in this report. But it is to be understood that throughout our discussion and analysis their concerns must be kept clearly in mind, even if we do not refer to them in every specific context.

sion, and there are strangely anomalous communities that have television, whether they want it or not, but no radio service at all.

The statement that satellite services now represent the most practical way to extend broadcasting services, both radio and television, to communities not reached by the ACP is not altogether true, for there are still underserved areas that lack adequate services which could be provided terrestrially, given the necessary funds. Nonetheless, satellites are so fundamentally necessary to the extension of services elsewhere that we proceed next to examine their capabilities and limitations.

2.4 A Matrix of Relevant Factors

In addressing the extension of broadcasting services, then, we start with two geographical aspects: the remote North and the underserved South. In each of them, consideration must be given to the population mix of Inuit, Indians, and others; the need for services in English, French, and native languages, and possible means to provide multilingual services; the interests and concerns of the provincial and territorial governments; and the provision of local and regional services. Lastly, attention must be given to both radio and television. In northern and other geographically remote areas, radio service may be the only communications link with the outside world. Many native Canadians regard radio as a more valuable instrument than television for preserving their cultures and languages through internal communication and program exchanges. In some cases, earlier native initiatives in securing or establishing radio services have withered since the advent of televi-

3.1 Objectives and Guidelines

The Committee has been helped in its consideration of the uses of satellites by the objectives and guidelines for satellite broadcasting services approved by a consensus of federal and provincial communications ministers (Appendix C). The principal objective proposed is to make use of satellites to extend broadcasting services to inadequately served areas of the country; and, in doing so, to provide a broad range of services responsive to viewer preferences so as to benefit Canadian program production and provide an attractive alternative to foreign programming carried by foreign satellites. The guidelines propose inter alia that the total broadcasting service made available to Canadian viewers (possibly including the reception of signals from US satellites) should be predominantly Canadian, and should not impede the further development of regional and local programming.

The Clyne Committee(1) made a useful distinction between "imports," US programs included in the schedules of Canadian stations, and "transplants," the US stations made available by cable or, in the future possibly, by Canadian satellites. Policy decisions will have to be made on two features of satellite broadcasting services in this context: the carriage of US stations on Canadian satellites, and the authorization of reception and delivery of television programming from US satellites. We revert to these questions in 3.8.5 and 3.8.6

3.2 The Canadian Satellite System

The Canadian domestic communications-satellite system is owned and operated by Telesat Canada, which in turn is effectively owned in two equal blocks of shares by the federal government and the principal telecommunications carriers. Telesat is a commercial profit-

making corporation, and is a member of the TransCanada Telephone System (TCTS), a voluntary association of major telephone companies. The traffic carried by satellite is not confined to broadcasting but includes a large volume of what are known as message services. Long-distance broadcasting traffic is also carried by the microwave facilities of TCTS and CNCP Telecommunications (CNCP).

Telesat is regulated as a telecommunications carrier by the CRTC. A carrier is not responsible for and may not interfere with the content of the messages carried (except insofar as may be necessary for coding and decoding), and is required to provide service to all comers without discrimination and at fair and equitable rates for similar classes of service.

3.3 Canadian Satellites

Canada was a pioneer in space with its rocketry programs and satellites used for research in the ionosphere, and became the first country in the world to inaugurate a domestic communications system using geostationary satellites. The position of a geostationary satellite in space over the equator remains constant in relation to the earth as it rotates. In examining satellite characteristics and capabilities in relation to broadcasting services, it will be impossible to avoid some technicalities, but we shall strive to demystify them as much as possible for the benefit of lay readers.

The Anik A satellite series operates in the 6/4 gigahertz (GHz) band of the radio-frequency (RF) spectrum. Signals from earth go up on the 6 GHz band, are dealt with by devices on the satellite known as transponders, and come down on the 4 GHz band; the latter is all that need concern us here. The Anik A transmissions cover the whole of the country, and their power is limited so as not to interfere with terrestrial radiocommunication systems occupying the same general area of the RF spectrum. For this reason, the earth stations generally must be sited away from

congested areas, thus requiring costly microwave links for urban centers.

Following experiments performed in cooperation with the US National Aeronautics and Space Administration (NASA) on the Canada-US high-powered Hermes satellite, Anik B was launched and put into service. This is a dual-purpose affair operating in two RF bands. The 4 GHz portion supplements the waning capacity of the Anik A series. The other portion operates in the 14/12 GHz band, and is at present leased by the federal Department of Communications (DOC) for experiments in direct-to-home broadcasting (see 3.4). The principal advantage of the 14/12 GHz band for satellite use is that it is not shared with terrestrial radiocommunications services. Higher satellite power may therefore be used, and the earth stations can be sited wherever may be most appropriate. Smaller antennas can thus be used to receive the 12 GHz signals, making the earth stations more practical and economical for use by smaller communities and isolated farms and households.

The Anik 6/4 GHz satellites use only one beam covering the whole of Canada. An advantage is that only one satellite channel is required for programs to be viewed live in all parts of the country. An offsetting disadvantage is that costly and complex delaying and retransmission arrangements have to be made at the receiving end to permit the delivery of regular network programming in six and a half time-zones at reasonable times of day, regardless of where the programming originates. The projected Anik C series will have four regional spot-beams covering the south of the country from east to west. The beams could be combined in various ways: different combinations of two, for instance, could be used to cover the eastern or western parts of Canada, or all four could be used together for events calling for live national viewing. The approximate terrestrial footprints of the four beams are shown in the accompanying diagram.

We were astonished to learn from the president of the CBC that the Corporation (the largest single user of Canadian satellites) was not consulted in advance when the Anik C satellites were being designed. A glance at

the diagram of the Anik C footprints reveals that they do not extend beyond about the 63rd parallel, leaving the greater part of the Canadian North uncovered.

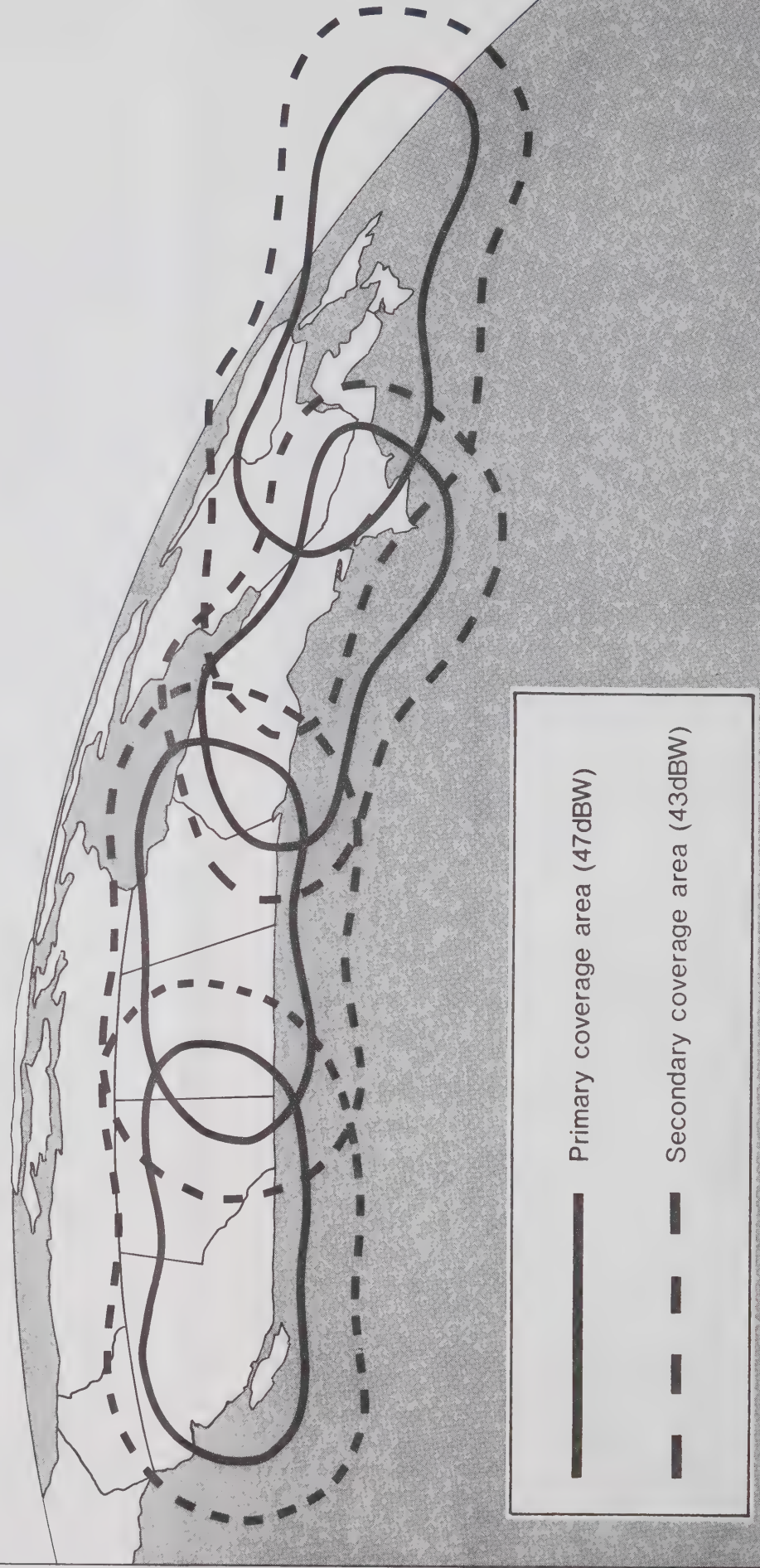
The explanation provided in the Telesat presentation is that "Anik C-1 is optimized to cover the 10 Canadian provinces since all confirmed services to date are for this area. Should sufficient customer requirements materialize, it would be possible to tilt the antenna on Anik C-2 to provide improved coverage of the North at the expense of some coverage in the South. Tilt angles less than 0.4° can provide a compromise, for example 0.2° , which may permit improved northern coverage for TV services on Anik C-1. This could be an interim approach for northern coverage until C-2 is available, without seriously impacting on the message services." The Committee is not satisfied that this tilt would provide a satisfactory solution to the problems of northern broadcasting.

Several important messages, which have nothing to do with the message services referred to, ring out loud and clear from this statement. The first is that Telesat is concerned primarily, and quite properly in accordance with its charter, with making a profit; Anik C-1, we were told, was designed for confirmed services, which did not include broadcasting for the North. The second message is that there is no sense of urgency about the possibility of using the Anik C satellites for northern broadcasting; the launch of Anik C-1, planned for late 1981, has now been delayed to November 1982 because of hitches in the NASA Space Shuttle Program, while Anik C-2 could not be launched earlier than perhaps some time in 1983 or later.

The inexorable conclusion is that the Anik C satellites will be of little practical use for a northern broadcasting service. Half a loaf may be better than no bread, but half a northern broadcasting service would be worse than useless.

The gravity of this conclusion should not be underestimated, for many of the proposals for extension of service are geared to the provision of a satellite-delivered programming package that embodies a full northern service.

Anik C 12 GHz Transmit Pattern



This means that any such package will have to be carried on the 6/4 GHz satellites and their successor Anik D-1, now scheduled to come into operation late in 1982.

This deplorable limitation must not be repeated in future satellites. It is essential that the footprints of the beams must be designed to extend satellite coverage to the whole of the North, without detriment to southern coverage, so as to ensure a capability for the provision of services, *inter alia*, for special purposes, one of which should be to meet the needs and expectations of the native peoples of Canada.

Recommendation 9 In the preliminary stages of planning for future Canadian satellites, there must be the fullest possible consultation with the broadcasting industry and all interested parties, so as to ensure that the broadcasting needs of all Canadians may be fully taken into account before it is too late to accommodate them.

3.4 Direct Broadcasting Satellites

The immediately foregoing recommendation applies with great force to the direct broadcast satellites (DBSs) now in the preliminary planning stage. The satellites we have been discussing are designed to provide a fixed, or point-to-point, service; that is to say that, like terrestrial microwave systems, signals are transmitted to one or more points on earth, whence they have to be delivered to homes either by cable or by low-power broadcast transmitters. Thus, to receive the signals from the 6/4 GHz Aniks, homes must be within, or close to, a community large enough to afford a delivery service. While the Anik satellites will help to solve the immediate problem of extension of services to all but the smallest communities, there will remain thousands of people scattered throughout Canada who could not afford the relatively large dishes required to receive the 4 GHz signals. To meet their needs, satellites using

higher power will have to be used, so that the signals can be received on smaller and cheaper dishes.

These future DBSs will be designed to act as orbiting geostationary transmitters (analogous to terrestrial broadcast-transmitting towers) providing service direct to communities and homes. Their higher power will permit the use of much smaller receiving dishes (60 cm to 1 m in diameter) and inexpensive receiving equipment. As a DBS will be sending signals "intended for direct reception by the general public," the transmission will fall within the international (and Canadian) definition of broadcasting, and adjustments of licensing and regulatory policies will have to be considered.

Canada has led the world in experimental direct-to-home satellite broadcasting, using first the high-power Hermes and more recently the 14/12 GHz portion of Anik B. Experiments are of many different kinds, some involving two-way communication. They were designed to test the technological capacity of high-power satellites in relation to social, educational, medical, and other services, and some provincial governments participated. In particular, the feasibility of direct-to-home broadcasting by satellite was tested, using programs of the CBC, the Ontario Educational Communications Authority (OECA), and British Columbia Television System (BCTV). The Committee was impressed, on its visit to Whitehorse, by the popularity of programming from Vancouver delivered directly to homes or by cable in the Yukon Territory. Another experiment that came to our attention will bring regional television to five native communities in northern Québec, but only temporarily. The list of experiments is long and the range covered very broad; they, along with US experiments on the jointly owned Hermes satellite, attracted keen interest from countries all over the world. Hermes is operationally dead, but experiments are still in progress on the 12 GHz portion of Anik B. The success of these experiments had demonstrated that DBS technology can already be used; only the operational and economic aspects remain to be worked out. The program is heavily subsidized

10 by the federal government, and new methods of financing will have to be found if future DBSs are to be used to their full capacity.

Other countries have been conducting DBS experiments, notably Japan, where a major project has been in progress for the past two years. Japan, the Scandinavian countries, France, Germany, Italy, and others have announced plans to launch DBSs to come into operation some time after 1983. For a country so widely spread as Canada, a DBS could be optimized to provide broadcast programs of national and regional interest for direct home reception with equipment that is convenient to install at the lowest cost compatible with good picture quality. The satellites would have several spot-beams responsive to time-zones and regional needs; the beam configuration should ideally be similar to that of the 14/12 GHz portion of Anik B, so as to ensure complete coverage of the North. Cable and other local delivery systems, using larger antennas, would be able to receive and deliver the same programs, making them available to practically every home in the country. Judging from the high interest in using satellites for broadcasting to the whole of Canada, a large number of DBS channels will be required.

Another benefit for Canada would be in the manufacturing sector. It would be possible to specify that the earth equipment should be of Canadian origin, or at least to require a minimal Canadian content in equipment acquired from abroad. The latter policy is already in effect, for instance, in the purchase of fighter aircraft and other high-technology products, including the Canadian satellites now in orbit.

The time to ensure that the foregoing aspects are given full weight in planning for a Canadian DBS is now. The preliminaries are under way in the DOC, and the Canadian Association of Broadcasters (CAB) has expressed its concern about the technical criteria being used. The CAB points out that investment by the public for receiving equipment should be as small as possible, and in that regard fears that the power planned for a Canadian DBS may be lower than that of its foreign counterparts; if so, a larger dish would

be required and isolated Canadians might be tempted to install the cheaper equipment with which they could receive programs from foreign DBSs. Plans for the DBS use of the upper portion of the 12 GHz band of the RF spectrum in the western hemisphere will be drawn up at the Regional Administrative Radio Conference in the summer of 1983.

Recommendation 10 Early consultation with broadcasters and other potential DBS users is essential to ensure that the foregoing considerations be taken into account in drawing up the firm Canadian position for the 1983 World Regional Administrative Radio Conference.

3.5 Telesat Canada Tariffs

It is often alleged that the rates charged by Telesat for the use of satellite capacity are far too high, but comparisons with the rates charged for the use of US satellites are of questionable validity. As with all such comparisons, it is almost impossible to arrive at reliable figures because of differing circumstances, protection of service, variety of offerings, time or bulk discounts, and so on, which build up into incomparable rate structures. We have not investigated the merits of these comparisons, because the proposed Tariff 8001 rates for satellite use are (at the time of writing) the subject of a CRTC public hearing. We understand that Telesat tariffs (prior to the Tariff 8001 proposal) did not set rates for the separate leasing of space and earth facilities but involved composite rates for both. A composite rate makes it even more difficult to make any valid comparison with US satellite rates. We therefore trust that the outcome of the CRTC deliberations on these vexed questions will help to remove the veil of misunderstanding and contention in which they are enshrouded.

The Committee cannot refrain from making two general comments. First, whether or not the present and proposed rates for the use of satellite capacity can be justified, they

are so high as to be an impediment to plans for the extension of broadcasting services. Second, the incremental rates for the use of earth stations (already in place for telephone service e.g.) to radio and television receiving services do not encourage some smaller communities to introduce urgently needed broadcasting services. It would probably be cheaper for them to install separate dishes, but that they cannot afford either without financial assistance. In any event, the installation of a second dish when there is available capacity on the one already in place must seem unreasonable to those involved.

3.6 Earth Stations

DOC issues operational radio licences for two basic types of earth station: those that transmit signals to the satellite, known as uplinks or transmit stations, and those that can receive only the signals transmitted by the satellite. The licensed uplinks usually also have receiving facilities. Separate facilities are required for satellites operating respectively in the 6/4 GHz and 14/12 GHz RF bands. Present DOC policy is that, except in very special circumstances, only Telesat will be licensed to own and operate uplinks to the 6/4 GHz Aniks. However, Canadian telecommunications carriers will be eligible to own and operate uplinks to the Anik C and other satellites operating in the 14/12 GHz band. Several representations were made to the Committee for the amendment of this policy to permit ownership of uplinks by broadcasters.

Receive-only earth stations are characterized by the type of signal to be received, either radio or television or both. Television receive-only earth stations (TVROs) may, subject to a DOC licence, be owned and operated by Telesat, recognized Canadian telecommunications carriers, or licensed Canadian broadcasting undertakings (including cable systems). This policy sounds generous but there is a catch to it. TVROs do not receive radio signals for local delivery,

and only Telesat may own and operate radio receive-only earth stations. This policy, which is incomprehensible to the layman, accounts for the anomalous situation of communities that are permitted to own a TVRO, but must lease capacity from Telesat if they want to add radio reception.

The necessary diameter of a receiving antenna for a specific service in one RF band decreases as the power of the satellite increases. The Anik Cs will use higher power than the Anik As, and the DBSs will be more powerful still. The higher the power, the smaller and cheaper the requisite receiving antenna or dish. Dishes for the Anik As are typically 4.5 m in diameter for TVROs and 8 m (or larger) for CBC network and carrier message traffic. For the Anik Cs, the dishes for those purposes would be 4.5 or 3 m, and 8 m respectively; in favorable conditions for reception and special circumstances, 1.8 or 1.2 m dishes might be feasible. The Hermes experiments used dishes ranging in diameter from 0.6 to 3 m, and those on Anik B used 1.2, 1.8, and 3 m dishes. DBSs are expected to operate with dish diameters of 0.6 to 1 m.

To judge from the presentations to the Committee, there is continuing widespread dissatisfaction with present DOC policy on the permissible ownership and operation of earth stations of all kinds. We would not presume to suggest a new policy, nor do we know for whose benefit the present policy is framed. What we do know is that it is not sufficiently conducive to the extension of broadcasting services to places where they are urgently needed. In the US, the Federal Communications Commission (FCC) has abolished mandatory licensing for receive-only earth stations.

Recommendation 11 A review should be undertaken, in consultation with all parties concerned, with a view to expanding the present policy governing the ownership and operation of earth stations for broadcasting purposes that would permit:

- general and special-purpose broadcasting undertakings to own and operate uplink earth stations;

- 12 . the ownership and operation of radio receive-only earth stations by licensed broadcasting undertakings; and
. the ownership and operation of receive-only earth stations by educational and other non-commercial institutions for internal use; by community groups; and by private citizens for exclusive use by them and their households.
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As each satellite has its own allotted position over the equator, a receiving dish of the type now in general use must be aimed at a particular satellite and must be physically turned to receive signals from others. The CBC national services are at present being carried on the 6/4 GHz portion of Anik B. The CBC House of Commons service is carried on Anik A-3, also operating in the 6/4 GHz band. Therefore, to receive both CBC services simultaneously, two receiving dishes are required. This unwieldy arrangement is probably attributable to the limited availability of channels on the Anik satellites but it is clearly essential that every effort must be made to ensure, as far as may be practicable, that small-community delivery systems should not be put to the expense of installing more than one dish.

Recommendation 12 All Canadian broadcasting services to be transmitted in a particular band of the RF spectrum should, to the greatest practicable extent, be carried on only one satellite.

3.7 Projected Availability of Satellite Capacity

It is widely believed that there is a lot of unused capacity on Canadian satellites. What is overlooked is that Telesat has no option but to maintain back-up channels if protected service is to be offered, and for much of the traffic carried protected service is essential. Quite apart from a catastrophic occurrence, such as the loss of the US Satcom 3 on launching, satellites cannot be expected to remain operational for ever. They have

usually been designed to survive for seven years, with an effective operational life of five years; the operational life is governed by the degradation of solar cells and batteries, and by the depletion of station-keeping fuel.

In addition, individual channels on a particular satellite may go out of service at different times. Telesat therefore offers three classes of carriage service: fully protected (in the event of channel failure, another will be provided even if some other user's channel has to be pre-empted); and unprotected (no back-up capacity), either non-pre-emptible (the user may not be bumped to accommodate a protected user whose channel has gone out of service) or pre-emptible (the user may be bumped if necessary).

Moreover, the entire capacity of the Anik satellites is not available for broadcasting; the business on which Telesat also relies for its revenues is what it refers to as message services for which, generally speaking, protected service is demanded.

The originators of some of the proposals made to the Committee may have been carried away by futurist talk of the imminent availability of 50 or 100 broadcasting channels, for their plans envisage the use of more Canadian satellite channels than will actually be available for some years to come, even barring accidents or unexpected failures. The availability of channels on the 6/4 GHz Aniks cannot, of course, be certainly predicted but the incidence of past failures makes it possible to project, with a reasonable degree of assurance, the number of channels that may be operational in any future year. The Anik A series is approaching the end of its operational life, and the 6/4 GHz channels on Anik B, now the mainstay of Telesat operations in that frequency band, are fully utilized. The two planned Anik D satellites are expected to meet all 6/4 GHz requirements to the end of the 1980s, but Anik D-1 will not be operational until late 1982 at best.

The accompanying table shows the number of 4 GHz channels expected to be available over the next six years. It will be seen at once that there will be a critical period between mid-1981 and late 1982, when there may be a shortage in relation to broad-

6/4 GHz RF Channel Availability

Satellite	1979	1980	1981	1982	1983	1984	1985	1986
Anik A-1	5	4						
Anik A-2 ¹	4	9						
Anik A-3 ¹	9	8	7	5				
Anik B	10	10	10	10	10	10	8	
Anik D-1*				20	20	20	20	20
Anik D-2*								20

Solid lines indicate normal satellite mission life; dashed lines indicate satellite life to point of fuel exhaustion. Adapted from Telesat Canada submission to Committee, 2 March 1980.

¹ Four healthy transmitters are turned off on Anik A-2 and Anik A-3 until required, to preserve their life. Predictions of the number of healthy transmitters is based on past failures.

* More recent information provided by Telesat indicates service availability for Anik D-1 as of October 1982, and for Anik D-2 as of July 1984.

14 casting requirements. According to Telesat, there will probably be a demand for 12 channels for television by January 1982, of which five are for existing services and seven for projected new services (including a contract with the CBC for five additional channels, now under consideration by the CRTC). As Anik B, carrying all existing services (except the CBC House of Commons service on A-3) is fully utilized, any new television services will have to be allocated to Anik A-3. Even with some adjustment to the position of A-2, there is likely to be a shortfall of one or two channels by 1982. The Telesat conclusion is that "seven new television services may be introduced with a reasonably good probability of continuity of service until Anik D-1 is available. An eighth channel may certainly suffer several months' break in service prior to Anik D-1." This is the limiting factor that must be faced in any proposals for extension of service in the immediate future.

The two channels on Anik A-3 used by the CBC (under a temporary licence) for the House of Commons service are available for other broadcasting purposes during the hours of the day and the periods of the year when Parliament is not sitting. Several proposals made to the Committee contemplate the use of this vacant time for a variety of purposes, particularly for certain kinds of programming that can be received and held and delivered at some other time. We have firmly concluded that the real need for extension of services can be met only by the provision of dedicated channels; in short, a wrap-around service tied to the gaps in the House broadcasts would be quite inadequate except as a supplementary service. Nonetheless, even if no channel shortage were in the offing, satellite capacity already paid for should not be allowed to stand idle, and it could certainly be used fully to complement or add to other services. At present, both the CBC and Cable Satellite Network, Inc. (CSN) are temporarily licensed for satellite broadcasts of the proceedings of the House of Commons. Should the CRTC decide to eliminate one of these services, an additional channel or two might become available to help meet the expected shortage. As a possible way to alleviate

the expected shortage of channels, TCTS suggested tentatively that it might be feasible to free one or two satellite channels by transferring some message traffic from the 6/4 GHz portion of Anik B to terrestrial facilities, if the latter could be made available.

It will have been noted from the Telesat conclusion quoted above that only seven new television services may be introduced with a reasonable prospect of continuity until Anik D-1 becomes available late in 1982. Of the seven channels required for these seven services, the CBC holds an option (which awaits CRTC approval) on five. We understand that three are destined for a CBC-2 service, and the other two for the House of Commons proceedings (now carried on Anik A-3 under a temporary licence). The proposal for a CBC-2 service has already had several different forms, none as yet definitive. The Committee is disturbed by the fact that approval of the CBC option agreement on five channels would leave room for only two other new services to be introduced before late 1982.

3.8 International Aspects of Satellite Broadcasting

3.8.1 Overspill of Signals

The transmitting beam from a geostationary satellite is aimed at a particular part of the earth's surface but the area covered, the footprint, cannot be accurately drawn like a map. The footprint of a domestic communications satellite is usually limited to an area no larger than is required to cover the whole of the country concerned. The footprints of the Anik As cover the whole of Canada and, unavoidably, the northern parts of the US. The footprints for most operating US satellites include Alaska and, consequently, most of Canada. Thus, at least for the time being, many Canadians are potentially exposed to all the broadcasts transmitted by operational US satellites, of which there will be more in the future.

Although the US commercial networks are not at present carried by satellite, they may be in the future; even so there is already a lot of foreign programming up there waiting to be picked up by Canadians who want a wider choice than is available from Canadian satellites (which at the moment carry only the CBC and House of Commons services).

The problem of what to do about it will not go away altogether, but it may begin to look less serious when alternative programming becomes available from Canadian satellites. It is also possible that new generations of US satellites will cover the whole of that country with spot-beams, one of them being directed to Alaska, thus greatly reducing the spillover into Canada.

Apart from today's concern about the unauthorized reception of television from US satellites, spillover problems have been a main focus of international discussions and negotiations, all over the world, for the past decade or more. These discussions relate, for the most part, to two contradictory aspects. On the one hand there are the proponents of the free flow of information, and they are far from solving the problems of copyright and property rights in the material transmitted. On the other side of the fence are the countries that fear (as do many Canadians, and particularly the Inuit and Indians) the damaging effects of foreign broadcasts and information, including advertisements, on their own indigenous cultures and economies, and those, like Canada, that are concerned about the vulnerability of sovereignty in the whole field of telecommunications.⁽²⁾

Property and distribution rights must be taken into account in coming to decisions on two questions related to the spillover of US satellite signals into Canada: the reception and delivery of broadcast signals from US satellites; and the carriage of US networks or stations on Canadian satellites. Decisions must also respect Canada's obligations under international treaties and bilateral agreements with the US. On both issues the ramifications are too extensive to be fully dealt with in this report; the following

accounts are highly condensed and cover only the salient points and arguments.

3.8.2 Proprietary, Distribution, and Exhibition Rights

Copyright in broadcast programs, that is to say their content, is complicated by the superimposition of "neighboring rights," which generally provide for payment to performers and others engaged in the production every time the program is broadcast. These neighbouring rights, which are of great importance to the Canadian film- and program-production industries, are discussed in 9.1.2 below.

A broadcast program is originally the property of the producer. An producer may sell the rights to the program to a broadcaster or an independent distributor, or may market it to exhibitors directly. A broadcaster producing a program has the same choices.

But a serious problem exists where a US network or station owns distribution or exhibition rights only in the US. If such a program is carried by US satellite and picked up and exhibited in Canada, this may be damaging to a Canadian network or station that has acquired the distribution rights for Canada, as is often the case. The issues are complex, and the impact of satellite services on the Canadian broadcasting system as a whole may, in this respect (as in others), be very serious indeed. The government of Canada should therefore continue discussions with the US government directed towards the protection of distribution and exhibition rights in broadcast programs.

3.8.3 An Import Tax on Foreign Television Programs?

A suggestion, thought by some members of the Committee to merit serious consideration, was for the imposition of an import tax on foreign television programs. The tax would be paid by broadcasters on their foreign purchases, and would be levied on cable operators for the programming of US stations carried on their systems. It was argued that the increased cost

16 of foreign programs would be an incentive to broadcasters to provide better opportunities for Canadian producers. It was pointed out, on the other hand, that the higher cost of foreign programs would in fact diminish the residue, in the programming budgets of the broadcasters, available for acquiring Canadian programs, and the measure might prove to be counter-productive. Moreover, one view expressed was that taxing cable operators on the US programming of transplanted stations might raise arguments against the simultaneous substitution of Canadian stations carrying the same program. A majority of members concluded that the Committee should not recommend the imposition of an import tax on foreign programs.

3.8.4 International Agreements

Canada has an obligation to comply with international agreements on the operation of telecommunications satellites, which are not, of course, cast in bronze and could be modified or replaced. The agreement relating to the International Telecommunications Satellite Organization (Intelsat), in which Canada is represented by Teleglobe Canada, provides inter alia that, in general but with some exceptions subject to Intelsat approval, all international satellite traffic shall be carried on the Intelsat space-segment. This does not preclude the establishment of domestic satellite systems, such as that of Telesat Canada, but Intelsat approval is required for the use of such systems internationally for specialized services, including broadcasting services intended for reception by the general public.

Canada is also bound by the terms of an intergovernmental exchange of letters with the US respecting the operations of Telesat, in which it is agreed that any services provided outside either country by satellite must be approved by both countries, including those that are only "incidental and peripheral" to normal operations. The arrangements provide for reciprocal use, subject to the approval of the government concerned, of available satellite capacity in the existence of a domestic shortage, particularly in the case of

catastrophic failure. Assistance has been rendered by Telesat to RCA temporarily in such a case. It is by no means certain, however, that capacity of US satellites will be available to mitigate the channel shortage predicted for 1981-1983.

3.8.5 Carriage of US Stations on Canadian Satellites

Many of the presentations made to the Committee include suggestions for an order of priority for the use of available capacity on Canadian satellites. Some include, down towards the bottom, the provision of channels to carry the entire broadcasts of US networks or stations. As we have seen in 3.7 above, it is unlikely that sufficient capacity will be available for that purpose until late 1982 or later, but a policy decision should not, we believe, be delayed on that account. Plans for new services may be contingent on that decision, and uncertainties are not conducive to effective planning.

Some people argue that if US stations are to be transplanted into the Canadian broadcasting system at all, the mode of transmission is irrelevant. If it is permissible, subject to the conditions of licence, to pick up the broadcasts of a US station close to the border and transmit it over distances of hundreds of miles (in many cases) for local delivery in Canada, why should not the same rules apply to satellite transmission? Another school of thought is that there are fundamental differences, not least of which is the Intelsat agreement limiting the uses to which a domestic communications satellite may be put.

Canadian broadcasters already use a great deal of American entertainment programming, of which there is a preponderance in peak hours.⁽³⁾ But not all Canadians are satisfied, for there is evidence that US stations carried on cable attract as much as 25 percent of the English-speaking Canadian audience in prime time. The CRTC, in considering licence applications for cable systems and the number of US stations each may deliver, has adopted what has come to be known as the

3 + 1 policy, which permits a cable operator to deliver three US commercial stations and one non-commercial station. It has been suggested that this 3 + 1 policy should also be applied to delivery systems for signals received from US satellites, or to the number of US stations (if any) to be carried on Canadian satellites. On the other hand, the Committee has heard strong representations opposing the carriage of US stations on Canadian satellites, in part because some might be induced to aim advertising at Canadian markets. When a lot of US stations are already up there, it is argued, what conceivable justification can there be for going to the great cost of adding more? Even more to the point is the expected shortage of channel capacity on Canadian satellites for the next two years or longer.

Recommendation 13 In determining priorities for services to be carried on Canadian satellites, the carriage of US stations or programming services should not be permitted, subject to a review of this policy should surplus capacity become available.

3.8.6 Reception of Programming Services from US Satellites

During the course of this inquiry, our attention was repeatedly drawn to the almost universal demand for alternative programming where only CBC services are available, and for even more choice when a second Canadian service can also be received. Despite the already high volume of US programming in the schedules of the Canadian networks, still more is being sought, even demanded on the ground that everybody in the country should be allowed to view the programming of US stations because somebody else can. The point was conceded, in effect, with the authorization of microwave carriage of signals received near the border over long distances into the interior. Now that US stations are being carried by satellite and can be received and delivered at relatively little cost, the same principle is being invoked, and the installation of unauthorized TVROs has become epidemic. There is, however, a basic difference. Signals of US stations re-

ceived off-air in Canada are 'free', whereas at present all the US satellite signals are, by way of their delivery, private communications, which only those authorized have the right to receive. 17

These unauthorized actions have been prompted by the lack of alternative Canadian programming, even when, as is often the case, both the CBC and CTV network services are available. Many of the proposals we have received tacitly accept this factor to demonstrate the urgent need for satellite transmission of a Canadian service offering popular entertainment of a quality high enough to attract audiences now viewing US stations. Most of them also recommend that, until such a service can be made available, the reception and local delivery of signals from US satellites should be authorized as an interim measure. There are difficulties inherent in this solution and several aspects must be carefully examined.

First, a law that cannot be effectively enforced because it is opposed by the people adversely affected, and opposed so strongly that they have no scruples about breaking it, may be regarded as a bad law, but it would be an unwise example to others if it were to be repealed for that reason alone, even on an interim basis. In this case, the length of the interim is being related to the time it will take to make new Canadian services available, which may well be much more than just a few months.

Second, there can be no guarantee that a new Canadian service would be attractive enough to compete with programming from US stations; if it were not, the demand for reception of the latter would not be significantly weakened. The Committee believes, however, that the demand for more choice of entertainment tends to be mistakenly equated with the viewing of US stations in their entirety, whereas in fact much of their programming other than entertainment is of no interest to Canadian viewers. If this view is correct, Canadian satellite services carrying the best of American entertainment may prove as attractive as the broadcasts of US stations, whether the latter are carried by satellite or

18 by cable systems.

Third, however, reception and local delivery of an attractive Canadian service including a substantial amount of mass-appeal US programming would, the broadcasters insist, have to be restricted to areas not now served by the Canadian networks and local broadcasters, so as to avoid market disruption. Those areas, presumably, would be the ones where it might be deemed reasonable to authorize the use of signals from US satellites, either ad interim or permanently. What should be the criteria qualifying an area or community for this special treatment? And, if it were granted, how long would it be before people living in the largest urban centers began to complain about being underprivileged by not being allowed to view the many services transmitted by US satellites?

The Committee has no magic solution to offer on the vexed issue of how to deal with the broad question of unauthorized reception and local delivery of broadcast signals from US satellites. A few licensed cable undertakings are supplementing their services by engaging in this unauthorized practice. The great majority of these unauthorized operations are in different case, for they are neither licensed under the Radio Act to use their TVROs nor licensed under the Broadcasting Act to effect local delivery. There is unanimity among the members of the Committee in the opinion that no extraordinary action should be taken to authorize these unauthorized activities. If the reception and delivery of broadcast signals from US satellites is to be permitted at all in Canada, the authorization must be done only through the issue of enabling licences. But differing opinions have been expressed by the Committee members as to whether such licences should be issued, either now or ever.

Some members believe that there are three major reasons for not authorizing the reception and delivery of broadcast signals from US satellites: cultural, regulatory, and developmental.

The chief cultural concern is that, by allowing a vast number of American satellite services to become available, the opportu-

nity to provide new sources of Canadian programming would be lost. The US has a highly developed production and distribution industry that has already stifled the growth of its Canadian counterpart. The American entertainment industry is enjoying a boom as a result of the demand for pay-television and other services now so profusely available from US satellites. The purveyors of those and new similar services would welcome authorized entry to Canadian markets, which would enable them to compete with Canadian broadcasters for audiences, advertising dollars, and subscription revenues; and with Canadian entrepreneurs for program distribution and exhibition rights. They would have greater buying power, and Canadian broadcasters would find themselves unable to acquire rights to popular entertainment programs until the US companies had had first kick at the cat. The competition would be strong not only in mass-appeal markets but also in special-audience markets; once the US special-audience services were available from US satellites, the opportunity to provide specialized Canadian services would be lost.

If reception and exhibition of these US services in Canada were authorized, the CRTC would be confronted with a public demand for US programming on a scale never experienced before. The 3 + 1 rule now applied to cable systems would become impracticable, because there can be no certainty that the US commercial networks will be carried by satellite, and local-delivery operators receiving signals from US satellites would want to choose from among the 35 or more non-network services available.

Pressure to abandon the rule would be exercised by the public, the local-delivery systems, and the American distributing companies. Once the reception of US signals were authorized and practised on any significant scale in Canada, the US distributors of the programming would undoubtedly demand payment for local exhibition, thus siphoning off revenue from Canadian viewers to the benefit of the US proprietors and producers of the programs used. Moreover, regulation is feasible only when the regulatory body has com-

plete control over all the instruments of broadcasting. The CRTC would have no control at all over the nature and content of the US programming carried by satellite, or over the rates to be charged to Canadian viewers.

The major developmental concern is that the widespread reception and delivery of US satellite services would probably inhibit or delay the carriage of Canadian services on Canadian satellites, leaving the latter under-used and ineffectual as a mechanism for extending television services throughout the country. There are dangers, too, in allowing American domestic communications satellites to compete with the established point-to-point terrestrial microwave services offered by the Canadian carriers, and with the satellite services provided by Telesat. A reduction in the carriers' economic base would inhibit the development of regional and sub-regional television networks in Canada, not only by terrestrial but by satellite carriage.

The members expressing the foregoing arguments believe that the recommendations later in this report will open up a large Canadian market for television services offered by Canadian broadcasters (which would include a lot of high-quality foreign programming) for reception in all parts of the country at very reasonable cost, a positive approach that will make Canadian viewers want to receive them. Several of the operators of unauthorized satellite reception and delivery facilities who appeared before the Committee said they would gladly switch to a Canadian satellite if an attractive service were made available. Taking all the foregoing considerations into account, these members are of the opinion that the reception and exhibition of television programming carried by US satellites should never be authorized in Canada.

Other members believe that the question of reception and delivery of signals from US satellites is intimately bound up with the main purpose of the inquiry, the extension of television services to remote areas. What has happened, in effect, is that Canadians who are underserved have obtained an expansion of services for themselves through unauthorized reception of US programming carried by US

satellites. This activity might well affect the success of new Canadian satellite services in the absence of a balancing formula enforced through licensing procedures. Further, the availability of US pay-TV services might damage the prospects for a Canadian pay-TV service; the licensing procedure should therefore exclude US pay-TV services from any balancing formula.

Another point made is that if, as the Committee has recommended (13), US networks and stations are not to be carried on Canadian satellites, people in northern and remote areas could enjoy the opportunity to view 3 + 1 US stations, as do most subscribers to cable systems, only if they could be received from US satellites (a possibility envisaged in the guidelines set out in Appendix C). Why, it is asked, should the 3 + 1 formula not be applied to satellite services as it is to services carried by microwave? The supposed detrimental effects of US superstation programming are thought to be overrated, particularly as regards their reception in remote areas. Even though many of the best American entertainment programs are shown by Canadian networks and stations, and would be included in new Canadian satellite services, is it reasonable to assume that people in remote areas will be any more satisfied than were the people in Edmonton, Prince George, or Thunder Bay, especially when the US satellites are carrying alternative programming at no cost to the public purse? As regards competition with Canadian services, regulated competition is better than unregulated competition, and Canadian services should be able to compete very well if the quality of the programming is good enough. Clearly, the achievement of a balance between Canadian and US programming must be established.

This group believes it would be very unwise to condone illegal activities by inaction. Some unlicensed and unregulated operators are already causing technical interference with neighboring broadcasting undertakings; they are pirating US pay-TV signals without paying for them; and they are leasing decoders to their subscribers with no assurance that the services will be allowed to continue

20 indefinitely. It is said that the CRTC and DOC have lost, or are rapidly losing, control of the Canadian broadcasting system, and firm action should be taken immediately to regain that control. The problem cannot be ignored and will not go away when new Canadian satellite services become available. The group would accordingly recommend that a reciprocal agreement with the US on satellite broadcasting should be negotiated; that the CRTC should then call for licence applications, related to the 3 + 1 formula, on a competitive basis, for services delivering US satellite signals in all areas now served by illegal operators; and that after a short time, all illegal operations should be shut down.

While the Committee believes that there is merit in the arguments of both groups, the consensus is that the most important objective is to get attractive Canadian services onto Canadian satellites as soon as possible.

The Committee recognizes that the question of reception of signals from US satellites cannot be resolved immediately, since it is tied to international and bilateral agreements to which Canada is a party.

The Committee is satisfied, from the submissions received, that to a large extent the needs and expectations of audiences in remote areas could be satisfied by the carriage on Canadian satellites of a broad range of Canadian services which include the best of US programming. Once such services are available on Canadian satellites, licensed ground delivery systems should reduce the demand for unauthorized operations.

The Committee appreciates that there is always a demand for a greater variety of television programming. Even with a broad range of Canadian services available to Canadian viewers, some of them may still want to receive signals from US satellites. In addition, the overspill of signals from domestic satellites into both countries offers a potential for reciprocal reception of entertainment and other program services. Furthermore, many cable systems in locations distant from the US border may wish to substitute reception from US satellites for the present microwave-delivered American network services. These

problems will have to be addressed in the near future.

Recommendation 14 In the light of the foregoing discussion, the majority of members of the Committee therefore recommends that discussions take place, following the implementation of Recommendation 1, between the governments of Canada and of the United States for the reciprocal reception of each other's satellite services if it can be determined to be in the best interest of Canada to do so.

Footnotes

1. Telecommunications and Canada, Report of the Consultative Committee on the Implications of Telecommunications for Canadian Sovereignty, J.V. Clyne, Chairman (Ottawa: Canadian Government Publishing Centre, Supply and Services Canada, 1979), chapter 7.

2. This vulnerability was extensively discussed in Intermedia 7, no. 2 (1979), the journal of the International Institute of Communications, London, England. International problems of broadcasting law are comprehensively covered in Intermedia 8, no. 1 (1980): 10ff.

3. CRTC, "Special Report on Broadcasting in Canada, 1968-1978" (Ottawa: Supply and Services Canada, 1979), vol. 1.

Broadcasting by and for the Native People of Canada

4.1 General Background

The Committee has expressed its conviction, in Recommendation 4, that Canada has an obligation to provide opportunity for its native peoples, the Inuit and the Indians, to preserve the use of their languages and foster the maintenance and development of their own particular cultures. Moreover, some regard the facilities for effective communication as a basic amenity, analogous to health and education services, that should for the most part be provided by the state.

Paradoxically, television is at once the most damaging threat to native objectives and the most potentially feasible means of achieving them. But the extension of services in native languages is no simple matter. It is perhaps easier to find ways of meeting the legitimate needs of the Inuit, most of whom are to be found in communities in the far North, than those of the Indians, who are widely dispersed throughout Canada and use a dozen or more different languages, often with subsidiary dialects. It would not be fair to insinuate that nothing has been done in the past, for the CBC and the NFB have made commendable efforts, within the uncommendable limits of internally restricted budgets, to address the needs of the native peoples. These efforts have been facilitated by the advent of satellite transmission, which has also brought much-needed reliable telephone service to large areas in the North, but the aspirations of the native peoples to engage themselves directly in broadcasting are very far from being fulfilled.

The CBC is widely criticized for spending too much of its little northern budget in the South, for providing too little time in its schedules for native-language programming, and for doing too little to help the production of programs that would make access to transmission facilities a practical reality in native community life. These criticisms are not perhaps all justifiable, but there seems to be almost unanimous agreement that

more, and better, could be done. The CBC 21 points out in its defence that there are no separate satellite channels dedicated to delivering CBC network programming to the North; northerners receive the services from the channels used for distribution east and west. It is possible, however, to insert programming for regional delivery, and the CBC believes it probable that the channel capacity available will be sufficient to meet the needs of northern native groups for the next few years. In the future, the demand for northern network time will have to be reconciled with the satellite-channel time available. The CBC says that its capacity to provide a full service of programming for, and produced by, native and other northern communities, and to create links that permit a sharing of interest among northern areas and communities, is limited by the lack of special funding, while the means to achieve real growth are denied by the constrictions regularly applied to the corporate budgets of the CBC as a whole.

The National Film Board has been active in the North for many years. The NFB catalogue includes 99 films about native Canadians, representing more than six and a half percent of the English titles and five percent of the French titles available. Of these titles, 19 involved the creative participation of native people; a native writer, director, or co-producer was employed in seven. Services have been provided to several native communications societies under an arrangement with the Department of Indian and Northern Affairs which also sponsors relevant films. Training courses and workshops have been conducted in the North, and assistance given in the development of training courses by the natives themselves. The NFB plans to consolidate its present northern operations within a northern support project, with the primary objective of promoting the production of native and native-language programs. The Board's present budget is insufficient to meet the whole cost of the project, and attempts will be made to raise additional funds so as to meet its objectives without diverting money normally expected to support Inuit broadcasting.

- 22 **Recommendation 15** The approved budgets of the CBC and the NFB should be supplemented by Parliamentary appropriations to be used exclusively for the development and support of broadcasting services by and for the native peoples of Canada.
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The Department of the Secretary of State has taken initiatives by making limited funds available to assist native-language program production, but only on a temporary and ad hoc basis. The program was to be terminated at the end of June 1980. A development program for Inuit broadcasting in northern Québec, financed by the federal and provincial governments, is due to end in 1981. In seeking funds to continue or initiate broadcasting facilities or activities, the native peoples are perplexed by the plurality of federal and provincial sources. Native communications societies have demonstrated their experience and determination to establish their own broadcasting systems, and should therefore have priority in the allocation of funds. In different parts of the country, such societies should be given flexibility to negotiate funding arrangements suited to their circumstances. Much time, trouble, and frustration could be avoided if there were a single federal coordinating body that could be approached, and it might be possible to arrive at collaborative agreements with the province or territory concerned in each case.

Recommendation 16 Funding by federal departments and agencies for use by native communications societies should be determined in consultation with the latter, and wherever possible, in cooperation with the province or territory in which the funds are to be spent.

The opportunity provided by satellite transmission for better broadcasting services is recognized and widely understood among the native peoples, who are anxious to set up local programming, not only in their own language, and inter-community networks. But neither the Inuit communities nor the Indian bands can afford the rentals of satellite channels and the cost of receiving and delivery

equipment, and special arrangements will have to be made to meet their needs and requirements. Most of the proposals submitted to the Committee for the extension of service in general, or for a restructuring of the entire broadcasting system, recognize (some with a deep bow, others with a perfunctory nod) the urgent need for better broadcasting services for native communities. But there are more direct ways in which the private sector could complement or support governmental initiatives aimed at providing native communities with the tools they need to fashion their own programming. Private broadcasting undertakings serving areas in which there are native communities have a responsibility to provide some programming for them, even if they represent only a small proportion of the population of the area served. More generally, the private sector might be willing to help, as a service to the public, by donating surplus equipment, or by lending the temporary services of programming and technical experts to assist in setting up native program production and giving some advice in the techniques of operating broadcasting facilities.

Recommendation 17 Consideration should be given to the possibility of assistance from the private sector of the broadcasting industry to native organizations undertaking broadcasting activities.

4.2 The Inuit

4.2.1 Demography and Language

The total Inuit population in Canada is estimated at about 22,700. Of these, more than 16,000 live in the Northwest Territories, mostly north of the tree-line; the rest are to be found in northern Québec (4,400) and Labrador (2,200). The language spoken by the Inuit is generically known as Inuktitut. Six dialects have been identified, but within them there are some sub-dialectical variations. In practice, all these dialects and sub-dialects

merge into the two variants of Inuktitut used in the eastern and western Arctic respectively, and it is these two variants that must be accommodated for broadcasting purposes. The simplest way to present a broad picture of Inuit needs and aspirations is to summarize what the Committee heard from three Inuit organizations, either in written presentations or directly at the public meetings.

4.2.2 Inuit Tapirisat of Canada (ITC)

ITC informed us that, at its annual general meeting in September 1979, it was resolved that "No more television channels be brought into Inuit communities unless the channels are controlled by the community and unless revenues from such channels go to local broadcasting societies for the production of Inuit programming." ITC proposes the establishment of a special fund to support an Inuit broadcasting system sharing one satellite channel with the CBC Northern Service. Between 25 and 35 percent of the television day would be assigned to Inuit programming; news and current-affairs programs would be carried by an uplink located in an Inuit community, such as Frobisher Bay or Rankin Inlet. Each community would have access to the local transmitter; the equipment need not be elaborate, the essential requirement being a camera and microphones for news and interviews, with playback equipment to deliver this local programming during time-slots in the regular schedule. The use of videotapes is planned for educational and community development programs. Signals received from the satellite during non-broadcasting hours would be recorded, and the use of the recording equipment would be shared by all local users as required. The special fund, to be set up by the federal government, should (ITC proposes) start with \$2 million, rising within five years to \$5 million a year. Funding would also be required for a Keewatin regional production center. A strongly worded argument put forward in favor of the creation of an Inuit broadcasting system is that it would provide stable and rewarding employment, and provide

a much needed boost to the economic base of Inuit society at large. ITC was represented on the Joint Action Committee on Pay-Television and Satellite Policy (6.8.5), which strongly endorsed its proposals.

4.2.3 Inuit Communities in Northern Québec

A representative of Taqramiut Nipingat, Inc. (TNI) appeared at the public meeting in Ottawa on behalf of the Northern Québec Inuit Association. Some years ago, TNI was instrumental in setting up a high-quality high-frequency (HF) radio system to link the Inuit communities, supplemented by portable HF trail-radios to provide communication with hunting and fishing parties. In 1973, the CBC had plans to introduce color TV in some Inuit communities in northern Québec that still had no radio service; the project was of little interest to the Inuit, for there was no provision for local or native-language programming in the proposed schedule. The Inuit attached much higher priority to a system of community owned and operated FM radio stations, backed by a regional radio program-production unit. Several communities took the initiative of installing low-power transmitters operated entirely by volunteers. These were in operation for some years but there were equipment problems and TNI was asked to develop a better-quality low-power FM transmitter, specially designed to meet Arctic conditions. Stations are now being operated by local committees in 13 Inuit communities in the area, broadcasting programs, almost all in Inuktitut, for up to 16 or 18 hours a day. Another example of the willingness of native people to pay, if necessary, for services which they desperately need (and to which, many believe, they should be entitled at public expense) is provided by the community of Tasiujaq (Leaf Bay) with a population of only about 100, which raised \$8,000 two years ago to purchase equipment for a community radio station.

A unit producing radio programs in Inuktitut has been set up with assistance from the government of Québec; the programs are

24 duplicated on cassettes for use by the community stations. Now, following successful trials using the experimental Hermes and Anik B (14/12 GHz portion) satellites, federal and provincial government assistance has made it possible to link eight communities in a radio network. With similar assistance, an intensive training program in TV program-production techniques for Inuit is in operation at a cost of almost \$500,000. This is in preparation for another experiment, using Anik B, that will bring area television to five communities in northern Québec. Each of these is already equipped with a low-power transmitter, and six hours of pretaped programming is being delivered on a scheduled basis; color cameras have also been provided to permit community production of local programs.

We have gone to some length in describing these activities because they exemplify the enthusiasm and capabilities of one group of Inuit determined to help themselves, an example that might be used as a model for stimulating parallel activities by native communities in all parts of Canada. But the whole television service now coming into operation is part of an experiment that is due to end in February 1981, and TNI will be hard pressed to raise funds for its continuance. TNI recommends the establishment of a special Inuit broadcast planning committee to plan the development of television programming and services for all Inuit communities, and to advise the CRTC on their needs and preferences. Funds would be needed to cover the cost of regular meetings, and TNI suggested that leadership could be provided by ITC.

4.2.4 Labrador Inuit Association (LIA)

The LIA, formed in 1976, was represented at the public meeting in Goose Bay-Happy Valley, Newfoundland (Labrador). Four of the five north-coast communities of interest to LIA do not have television; three do not even have radio. LIA believes that remote communities in northern Labrador want television, specifically CBC English-language service and Inuktitut programming. In addition, there is a need for what LIA terms working communica-

tion, an information base that works for the Inuit and their needs as distinct from mere entertainment. Some of the Inuit communities have initiated, or are contemplating, community radio service, and there has been some success in local fund-raising. The LIA itself is conducting research on trail-radio in particular, and the whole concept of regional communications in general. The LIA strongly supports the ITC proposals (4.2.2), and insists on the needs for local control and public financing. One representative said that "the northern Labrador coastal communities have little, if any, chance of cultural survival if control is vested in a central body outside the region."

Recommendation 18 Consideration should be given to providing financial and other support, on the largest feasible scale, to the creation of an Inuit broadcasting system to operate a network of services available in all Inuit communities.

4.3 Canadians of Indian Descent

4.3.1 Demography and Languages

The most reliable estimates of the population of Indian descent in Canada were projected from the 1971 Census and other sources as a forecast for 1981. The total is about 600,000, almost equally divided between status Indians and others. There are some in every province. In the eastern provinces and British Columbia, taken together, the status Indians are about one and a half times as numerous as the others. In Manitoba, Saskatchewan, and Alberta, taken together, the others outnumber the status Indians in a proportion of about 1.35 to 1. Another estimate indicates that there may be about 7,650 band Indians and nearly 7,000 others in the Northwest Territories; the corresponding figures for the Yukon Territory are about 3,250 and 1,550 respectively.

There are 10 linguistic groups of Indians in Canada, and together they comprise

some 30 or more distinct languages or dialects, some of which, within a group, are mutually comprehensible. Common linguistic affiliations do not necessarily imply common cultural interests. For example, the languages spoken by the Blackfoot Indians of the western plains and the Micmacs of the Maritimes are both linguistically classified as Algonkian, but their cultures and traditional ways of life differ greatly. Just to make things easier, there are people speaking different languages who, in certain areas, particularly British Columbia and the Yukon, share much the same cultural background. In the Yukon, for example, the Committee was told that up to 10 languages or dialects are in daily use by peoples whose life-styles are not readily distinguishable. This plurality of Indian languages and dialects obviously makes it impractical to think of an Indian broadcasting service on the lines of that proposed for the Inuit. The approach to better service and program production will have to be addressed to communities or areas in which one language or dialect is commonly used. Once again, the simplest way to outline the needs and aspirations of Canadians of Indian descent is to summarize some of the presentations made to the Committee.

4.3.2 The Crees in Northern Québec(4)

There was a notable similarity in the representations made to us by the Québec Crees and their Inuit neighbors (4.2.3). The total Cree population in the James Bay area and farther east is about 7,400, spread through eight communities ranging in size from 128 to 2,014. All speak Cree; about half speak English as a second language; a very small number speak some French. Three of the Cree communities receive CBC radio and television service; much of the programming is regarded as irrelevant. Nevertheless, hockey and westerns are very popular, while programs such as "M*A*S*H," "WKRP Cincinnati," and "Mary Tyler Moore" are looked on as entertainment rather than as a means of obtaining ideas or information from the South. Other programs, such as "Edge of Night," are taken very

seriously, and the Crees involve themselves in the episodes of the soap operas, as do many millions of Canadian viewers throughout the country. But of course the Crees also want educational and childrens' programs during the day.

The Crees propose that a non-profit corporation be established, to be financed by subscriptions, some advertising, and government grants. As an experiment, local transmitters have been set up in some communities to broadcast videocassettes recording meetings and community events. A small regional videotape production center would be established for news, information, and other Cree-language programs, supplemented by films and other entertainment. The Cree proposals afford another example of the willingness of underserved people to subscribe for the reception of better service.

4.3.3 Wa-Wa-Ta Native Communications Society

An interesting written presentation on behalf of Indians in mid-Canada, specifically in and around Sioux Lookout in northwestern Ontario, was made by the Wa-Wa-Ta Native Communications Society. The Society believes that radio is still the more important broadcasting medium in remote communities, and 15 radio stations are now being operated by community committees, using a type of transmitter (developed by the Society) costing only \$3,000. Local people do the programming; native-language programming techniques are simple and inexpensive; and regional programming is added by distribution of audiocassettes. An experiment, using the Hermes satellite, which linked three community radio stations with the production center in Sioux Lookout, demonstrated the feasibility of regional networking. This service cannot be continued or extended because the Society cannot afford the cost of using commercial telecommunications facilities. Most of the communities are too small to qualify for service under the ACP, and no funding is received other than what the communities themselves can afford.

Looking to the future, the Society

- 26 recommends the early establishment of a federal community-radio policy; the introduction of point-to-point tariffs, unrelated to the mode of transmission (satellite or microwave), for the carriage of audio signals; and an assurance of local access to television transmitters, with provision for native-language and native-oriented programming.

4.3.4 Native Communications Society of the Western Northwest Territories

In a written communication, this Society (based in Yellowknife) supported many of the concepts put forward by other native organizations. In particular, it said that native people are ready and willing to be involved in the development of communications plans but are not given enough time to prepare adequate formal presentations. Attention was drawn to other countries, such as Greenland, that have been more effectively responsive than Canada to the communications needs of their native peoples.

The CBC production-packaging unit in the Northwest Territories is said by the Society to be staffed mainly by southerners who have little knowledge of the northern lifestyle and are often insensitive to the varied nature of native cultures. Native program-producers or film-makers accordingly feel that they are not trusted by the CBC, and the Society recommends that the program-production unit should be required to contract with native producers or organizations, allowing them to develop their own programming without interference. It is further suggested by the Society that the CRTC should consider the provision of a native channel that would give native organizations time to develop a stable production base of native-language educational and cultural programs. The funds now spent by the CBC producing programs that do not respond to native needs would, it is said by the Society, be better spent by native organizations. A final suggestion is that consideration be given to the feasibility of introducing some sort of mechanism that would permit native people or organizations to evaluate the type of programming made available in nor-

thern and remote communities.

4.3.5 Ye Sa To Communications Society

Generally similar points were made by this Society, based in Whitehorse. There should be a better balance in programming, including native-language productions; at present, the Society says, native people in the North can view no more than two or three programs a week that relate in any way to their cultures, and hourly quotas of native programming should be required from all broadcasters operating in the North. The Society supports the idea of control by communities of the programs delivered locally, or at least a requirement that cable or other local delivery systems accommodate programming responding to specifically native needs and interests. Other recommendations include community control of local delivery systems, expanded training facilities employing more native staff, employment of native people in all northern CBC radio stations, and the dedication of a northern native television channel. With regard to satellite packages, the Society fears that the content would be regarded only as a way of expanding southern markets, and that in all plans for satellite broadcasting services priority should be given to organizations that are primarily interested in serving the needs of the North.

4.4 Conclusions and Recommendations

The outstanding impression left on the members of the Committee by the presentations from native organizations was the extensive determination to receive, and often pay for, broadcasting services that go some way to meet their needs and give expression to their cultural identities. Almost unanimous demands are being made for training programs, native-language and native-oriented program production, and community control of programs delivered locally, either by cable or off-air. In that regard, there were few sugges-

tions for a total elimination of mass-audience programming; many natives are interested in sports and high-quality entertainment, so long as their other needs are being adequately met.

There is an important point to be made about access. The word is used in a passive sense, that of giving people access to broadcasting services, and in an active sense, in demands for access to transmitting and cable facilities so as to be able to deliver community and native-language programming. It is not enough to give access, in the latter sense, alone; it is of little practical value without the assistance of trained staff and technicians, and funds to produce the programs. The Committee recognizes the value of communications satellites in providing opportunity for the linking of native-language communities, and for the protection and development of their languages and cultures. In view of the heavy expense associated with the use of satellites, additional funds should be made available to native communications societies to allow them the use of satellite channels, and their needs should be considered in the allocation of satellite capacity.

The Committee, having strongly recommended (4) recognition of the obligation of Canada to provide proper communications services for its native peoples, makes the following supplementary recommendations.

Recommendation 19 The CRTC should encourage licence applications from native communities or organizations to operate broadcasting undertakings in predominantly native communities, in order to promote native-language programming and production by native people.

Recommendation 20 Any predominantly native community should have the right to decide on the channels to be delivered locally; to eliminate complete channels; and, on any particular channel, to eliminate a program or substitute one of its own choice.

Consideration will have to be given to suitable arrangements in mixed communities; it is not possible to generalize an issue

that is almost infinitely variable, but the Committee has observed that, in the northern and remote communities to which Recommendation 20 is intended to apply, there is often an eager willingness to cooperate on matters that would be likely to engender contention in more heavily populated southern areas.

Footnotes

4. The presentation was made by representatives of the Grand Council of the Crees (of Québec) and the Cree Regional Authority.

Extension and Expansion of Radio Services

- 28 The fretful reader may be beginning to wonder when this report is going to get to the main point, the extension of television services. An excessive, or even obsessive, preoccupation with the wonders of television, which is perhaps understandable among those to whom the idea of a total absence of radio services is inconceivable, has tended to obscure or neglect the even more pressing need for the provision or extension of radio services in many parts of Canada. The Committee has already drawn attention to the existence, in the territories and some of the provinces, of communities that have no local radio service at all, even though some of them have television. These deficiencies may look to some people in the South as no more than the proverbial pea under the mattress, but to those who suffer they represent real hardship for which they can see no rhyme or reason.

Anyone who has ever lived in, or even visited, the North must be aware of the vital importance of radio in remote areas, particularly where television cannot be provided at acceptable cost. The economical adaptability of radio permits all sorts of initiatives in community and regional or area programming; radio can provide useful training and experience that are relevant to growth into television when and if it becomes available. The Report of the Committee on Broadcasting(5) said "Radio has many advantages over television. It is in every way more economical, for the listener in the cost of his receiving set and its maintenance, and for the broadcaster in the cost of program production radio is more flexible, can react faster, is more immediate. It can afford to do things that television cannot do, and can justify specialized services to minority audiences of a size that television cannot serve." If television is coming to be looked on as an essential amenity of life, radio may be fairly described as an indispensable necessity.

Satellite radio channels, other than those associated with television programs, provide the means to extend radio services to the last few areas where they are not yet available. The CBC mentioned in passing that funds for the completion of radio services in the North would be specifically included in its

application for a special Parliamentary appropriation to cover the cost of its proposed northern broadcasting service. Several of the proposals from the private sector for the extension and expansion of television services embody the use of satellite radio channels for signals that could ride with the television services. The radio capacity of the Anik A satellites is not being fully used.

The Committee has drawn attention to the obstacles to universal radio reception represented by the restrictive policy applied to the licensing of radio receive-only earth stations, and the Telesat rate-structure, which includes what appear to the layman to be exorbitantly high rates for the use of the corporation's equipment for the reception of satellite radio signals. The Committee has recommended (3) that immediate action be taken to ensure that the national radio services be made available in all parts of Canada as soon as possible. Up to three radio channels and one television channel can be accommodated on a single Anik A transponder. The Committee is concerned to ensure the fullest possible use of available satellite radio channels for the expansion of radio services.

Recommendation 21 A television service to be carried by satellite should, wherever possible, involve optimal use of radio services not directly associated with the television service.

Footnotes

5. R.M. Fowler, Chairman (Ottawa: Queen's Printer, 1965), p. 266.

Extension and Expansion of Television Services

6.1 Television Needs and Expectations

In the far North, as we have said, there are two discrete components of the population: native peoples, mostly Inuit; and the other residents, permanent or temporary, many of whom were accustomed to but now lack a reasonable range of television programming. Television is regarded as a mixed blessing by the Inuit. It exercises its magic attractions, as it does for everyone, particularly children. As virtually all the programming now available is of southern origin, the Inuit way of life is challenged and their culture threatened. The children, taught mostly in English at school, begin to neglect their native language at home, and interactive community life declines because people are sitting at home watching programs unrelated to their life and common interests. We have made some proposals in that regard (chapter 4) but are concerned lest the justifiable needs and expectations of the other residents of the far North be overlooked or crowded out.

These other residents are indistinguishable in most respects from people in all the other underserved areas of Canada, and their television needs and expectations are much the same. There are few communities of city status; for the rest, we have townships, small communities or settlements, resource exploitation and exploration camps in remote areas, and isolated farms and other households. All the inhabitants have common demands in relation to television: they want more choice of programming, more information, and more entertainment. In particular, there is a widespread demand for more American entertainment, even among some native people.

Above all, the strongest demand is for more choice. In the far North, where television is available at all, there is no alternative to the CBC Northern Service, which is criticized for being northern only in name. The television service is said to be largely a package of southern programs accompanied by

news and weather reports that are irrelevant hundreds of miles away. In Baker Lake, NWT, for instance, which lies about 370 miles north of Churchill, Manitoba, the news and weather reports are those broadcast in St. John's, Newfoundland, about 1,700 miles to the south-east. It is almost sacrilegious to suggest that there are Canadians who do not enjoy hockey or football, but it is a fact, just as there are many who do not enjoy soap operas or culture; but if the CBC is showing only one of those types of program, such people have nowhere else to turn. The frustration, as we found out when we were in the North, can be fully appreciated only by direct experience. The crying need for alternative programming is also reflected further south in the many parts of Canada that are not adequately served.

Somewhere between the far North and the largest urban centers, there are two distinct types of unfulfilled needs for broadcasting services. First, there are whole areas, by no means remote, in which the justifiable needs of the residents are not yet being met. Coverage percentages are deceptive until they are converted into numbers of people, and they also obscure distribution factors; it is all very well to claim that the CBC reaches 98 percent and the private networks some other impressive percentage of the total population, but that is little comfort to Canadians who can receive no television at all, or to the Canadians whose language is French and cannot receive French-language television, or to English-speaking Canadians in like case. Second, there are many areas in both the North and South without local news or programming; there and elsewhere the full national services of the CBC may not be available. Some but not all of these needs can be met by satellite services; others must be met by more appropriate local and area terrestrial facilities.

The advent of cable television has transformed the availability of television services throughout southern Canada, but even when it is available with microwave feed the choice of programming often lies between only two Canadian services and three or four (or more) American stations. Where a microwave

30 link would be uneconomic, as in some places little more than 100 miles from urban centers, the local cable system can deliver only the CBC service carried by satellite, with perhaps poor-quality direct reception of the nearest CTV station. In some such places, the local cable company is meeting the demands of the anglophones for American programming by the unauthorized reception and delivery of programming from an American satellite.

The broadcasting needs of francophone Canadians living outside Québec can, for the most part, be easily identified; like the anglophones living in Québec, they want alternative programming in their own official language. This francophone need might be met if means can be found to carry TVA (the French-language private network) on a Canadian satellite, but that will not meet the need for local French-language news and other programs. It is a source of discontent for francophones living in every province but Québec that almost all the available French-language programming emanates from Québec, and that Québec news is often locally irrelevant.

In considering the merits of proposals for the extension of services, they must be judged by the extent that they may be expected to satisfy ascertained needs and expectations for better television. We have examined the positions of Canadian native people in chapter 4; there remain the needs of underserved areas in general, and the areas that have special needs distinguishable from those that are more general, for reasons of location, demography, or language. The latter are examined later in chapter 7, but first let us reexamine the more general demands for television service as they increase progressively in scale.

First, there are the small communities in the territories and some of the provinces that have neither radio nor television; they want both. Next are those that have radio but not television; most of them want television, while there are other communities that have television but no radio, and want both. Communities that receive only CBC television services, and are mostly grateful but dissatisfied, want an alternative. Then we

have those that have a choice between the CBC and CTV (or TVA) networks; they cry out to receive programming from US stations. In the end, with satellite services proliferating, the sky is, literally, the limit; if there is anything up there, people want it.

There is a lot of programming up there already, and there will be a great deal more within a few years to provide competition with Canadian satellite services. Today, the US satellites are carrying at least 35 program services occupying full or partial space on two satellites. About half the services are provided to cable systems at little or no cost to subscribers, offering professional sports, news, childrens' programming, religious talk-shows, and a gamut of special-interest packages. There are also the superstations bringing independent service to centers that could not support a local independent broadcaster. And there are also the premium or pay-television services offering commercial-free feature films and other programs, at a cost to the subscriber of about \$10 a month.

Some of the US satellite services are available 24 hours a day. Throughout the North and elsewhere in remote and other areas, particularly in the resource and exploration camps, many people are on shift-work. Those who are on late-afternoon shift go to work just when the most interesting programs, not only entertainment but news and discussions of current affairs, are starting to come on the air. When they return home in the small hours they may not want to go to bed at once but there is no television to be had from Canadian satellites.

The Committee has recommended (1) that the CRTC should immediately call for licence applications for the extension of services to remote and underserved areas. That recommendation is of a general nature and some amplification may be pertinent.

Recommendation 22 The range of Canadian services to be provided by satellite should be as broad and diverse as may be necessary to satisfy ascertained needs in remote and underserved areas, and consideration should be given to proposals for a 24-hour service of news,

current affairs, and entertainment programs.

The Committee has recommended (2) immediate action to provide an alternative Canadian satellite service that could be delivered with little delay. The factor governing delay is that the CRTC must comply with the provisions of the Broadcasting Act relating to the issue or amendment of any broadcasting licence. However, the Committee urges the adoption of extraordinary licensing procedures, to be determined by the CRTC, in order to expedite this process.

6.2 Factors for Consideration

6.2.1 Package Proposals

Many of the presentations involve the satellite carriage of what is referred to as a package of Canadian programming. We dislike the term, because it obscures the real objects of our inquiry, but will use it for convenience, with this reservation: our object is to ascertain the needs for extension of services, and to recommend the priorities to be applied in meeting them. We have therefore tried to weigh each presentation primarily as a means to meet established needs rather than by its attractions for particular sectors of the underserved parts of Canada.

6.2.2 Superstations

The only difference between a so-called superstation and any other kind of broadcasting station is that its programming is usually carried by satellite. As any programming carried by a satellite not equipped with spot-beams is, generally speaking, available for local delivery anywhere in the country, a superstation would compete for viewers with the Canadian national networks, their affiliates, and all the independent broadcasters.

6.2.3 Impact of New Services on the Canadian Broadcasting System

Any new service carried by satellite is potentially a competitor of all other broadcast services, and many broadcasters are apprehensive about the resultant fragmentation of audiences. For the private sector, and to some extent for the CBC, the issue is vital because any loss of audience may entail loss of revenue; in some cases, survival might be at stake. Is Canada ready for a new national service? If so, where is the programming to come from? If not, to what extent, if any, should existing broadcasters be protected from competition by a Canadian satellite service provided as an alternative to the CBC in northern and remote areas? If the new service proves to be very attractive, will a demand for it arise in areas that are already well served off-air or by cable? If that demand were met, what would be the impact on existing broadcasters?

In short, how is the public interest to be best served in balancing the unquestionable need for extended and expanded services against possible damage to existing broadcasters? One man's meat is another man's poison, as the saying goes, and so it is with fragmentation of audiences. Everyone outside the more heavily populated areas wants more alternative programming, and the availability of a choice of programming is inseparable from some fragmentation of the audience. But the Committee is inclined to think that the resultant possible loss of revenue may not always be as damaging as the broadcasters contend. The Committee believes that the impact of any new service can be assessed only on a market-by-market basis, and that the burden of proof of damage should rest with the broadcaster(s) serving the market under consideration.

Recommendation 23 The CRTC, when considering the introduction of a new service and relevant objections by broadcasters fearing

32 loss of revenue through the resultant fragmentation of audiences, should weigh such objections on a market-by-market basis, the burden of proof of financial damage resting on the objector(s).

6.3 Some Provincial and Territorial Governments' Interests in Extension and Expansion of Services

6.3.1 The Realities of Confederation

In defining the challenge presented by new opportunities to extend and expand broadcasting services, the Committee emphasized (2.3) that running through and sometimes across all the complex factors affecting better broadcasting in Canada are the particular interests and concerns of the provincial and territorial governments, which must be kept prominently in mind in assessing the best way to attain approved objectives. It is of importance to remain continuously aware that old wine should not be put into new bottles, and that, whatever setting may be devised for meeting the needs of Canadians who are now not well served, it must be flexible enough to accommodate not only technological change but structural changes in the system that are not at present predictable. Accordingly, in the following sections we present summaries, necessarily brief, of the presentations made to the Committee by some of the provincial and territorial governments.

6.3.2 Ontario

The government of Ontario is concerned about disparities in the programming available in different parts of the province and, in particular, about the lack of alternative programming available to residents of northern and remote communities. A distinction is drawn between what are termed basic service and optional services. It is suggested that the former, which should be available to everyone in Ontario, should include: CBC English and

French television services; CTV; TVOntario; CBC English and French radio services; and an alternative AM radio service. Ontario has serious reservations about a satellite-package approach requiring a regulated and protected monopoly organization (perhaps inflicting on viewers a less than desirable bureaucratically structured program package). Arguing that audience fragmentation is not per se undesirable, Ontario believes that the burden of proof of damage should lie with the opponents of the introduction of a new service that meets public demand (see Recommendation 23, above).

A preference is expressed for the extension of services by allowing certain existing stations, perhaps including a Global affiliate, CHCH-TV Hamilton, and CITY-TV Toronto, to be carried by satellite as superstations so as to maintain a healthy climate of competition for audiences that would be conducive to high-quality programming. While not excluding the possibility of carrying one or more US stations on Canadian satellites, Ontario believes that the programming of Canadian superstations would provide a sufficient variety of choice, and that, until an adequate choice of Canadian programming can be made available from Canadian satellites, direct reception and local delivery of signals from US satellites should be permitted as a temporary measure.

A further Ontario position is that native-language communities should have the right to determine the nature of any broadcast signals imported, and to override any particular program and substitute a program of their choice; the technology of local delivery should be such as to permit this flexibility. One vehicle for native-language programming might, it is suggested, be a multilingual superstation producing commercial revenues that could provide a financial base for local production. Finally, Ontario believes that the CBC Northern Service should be more responsive to the needs of native communities.

Since 1973, Ontario has been pressing for a coordinated and integrated approach to the extension of services in the province, against ad hoc decisions for particular communities. Satellite technology is ideal for tha

purpose but has not, it is said, been effectively exploited, and much of the blame is laid on Telesat for the alleged underutilization of its satellite capacity and an unrealistically high rate-structure. Further, Ontario charges that approval of Telesat membership in TCTS has destroyed any possibility for competition between satellite and terrestrial modes of carriage. Ontario goes on to recommend inter alia that all major users should have the right to own and operate earth-stations, restricted to TVROs for local broadcasters and cable operators, and for remote communities; a minimum content of Canadian manufacture should be prescribed in all earth-station licences; direct access to Telesat facilities should be assured for all users; Telesat should be required to market partial RF channels and individual circuits, and should be encouraged to cooperate with entities other than members of TCTS for such purposes as the pooling of computer services and the marketing of telecommunications services; and present legislation should be amended to include a clear statement that "the basic objective of satellite policy is the provision of a broad range of telecommunications services to Canadians."

Ontario suggests that if the satellite carriage of television services continues to be obstructed and delayed, the only feasible way of extending services will be by relying on microwave links and direct reception of signals from US satellites. Microwave carriage is most appropriate over short distances and is cost-competitive when the potential market is small, and may therefore, it is suggested, be the best way to serve limited regions or sub-regions where delivery facilities exist. The centralized sources of programming inherent in a satellite system inhibit the expression of regional interests, while microwave carriage of a regional station would afford opportunity for delivery of locally or regionally oriented programming and information. It is also said that cable is the logical mode of delivery, where it is economically feasible, for optional services. Ontario is strongly opposed to cross-subsidization of optional services, citing evidence that there is no universal demand for most of those that are being proposed and

pointing out that cross-subsidization or the satellite-package approach would compel all or some viewers to pay for services they may not want. Thus Ontario, agreeing nonetheless that the widest possible access to optional services is clearly desirable, believes that their nature and availability should be determined by the market, that is to say by viewer choice, without regulatory or other constraints.

The government of Ontario is also very strongly opposed to the imposition of levies on cable operators or others for any purpose whatsoever. Ontario argues that such levies must inevitably be passed on to the subscribers to cable systems, who would thus be subjected to a form of taxation unrelated to their interests as consumers.

6.3.3 Nova Scotia

The government of Nova Scotia urges that the definition of remote areas in the context of extension of services should include those parts of southern Canada that do not now receive adequate television services or any at all. Special consideration should be given to Canadians, including half the population of the province, who do not enjoy the alternative programming provided by cable systems. Nova Scotia believes that a reasonable balance between Canadian and foreign programming should be sought, so as to respond to the popular demand for more entertainment in general, and for US entertainment in particular.

6.3.4 Prince Edward Island

The province is remote from most sources of television programming; people who do not subscribe to cable (available only in Charlottetown and Summerside) can receive only CBC (English and French) and CTV; cable subscribers also receive two US commercial stations. PEI, recognizing the advantages of satellite television services, believes that any satellite package should also carry programming of a type different from that generally now available, such as educational and children's pro-

34 programming, and urges the preservation and protection of local broadcasting stations, so that they may provide a reasonable amount of local and regional programming.

6.3.5 British Columbia

In British Columbia, CBC and CTV services reach 96 percent of the population; Victoria and the lower mainland are the most heavily cabled areas in Canada, and residents have an almost unlimited choice of off-air and cable programming from Canadian and US stations. In contrast, there are people in the province who have no television at all because terrestrial delivery is either technically impractical or economically infeasible. Between these two extremes, the provincial government has been able to assist some communities to bring in television by terrestrial means, but beyond the practical limits of such assistance only satellite carriage can solve the problem. The efficiency of the 14/12 GHz carriage of broadcast services has been demonstrated by the Anik B experiment, in which 20 sites were selected to bring television service to remote communities. The provincial government comments unfavorably on the DOC policy that prevents communities from owning TVROs, which has led to the widespread installation of unauthorized dishes to pick up signals from US satellites; in that context, it is said, the inability of DOC and the CRTC to enforce prohibition of such operations shows that "technology has outstripped regulatory practices." The point is then made that "to promulgate more regulations which, given the technology involved, are unenforceable would be an exercise in futility."

6.3.6 Manitoba

Manitoba supports the extension of services to northern and remote communities by means of Canadian satellites, but is of the opinion that TVROs in remote areas should be permitted to receive signals from US satellites, for the purpose of local delivery, as a temporary measure until more programming can be made available from Canadian satellites.

6.3.7 Saskatchewan

Many residents of northern Saskatchewan do not at present receive basic national television and radio network services; most communities receive only the CBC networks, but there are some pirate television services in operation. The provincial government maintains that the obstacles to the improvement and extension of services are not primarily technological, but rather economic, institutional, and regulatory. It recommends that, to achieve more favorable economic and institutional arrangements through a new flexibility of regulatory policy, the federal government (or its appropriate agencies) should encourage the fullest extension of cable services in the province and support the efforts of SaskTel to take an integrated approach to the provision of telecommunications services in general; endorse rate-averaging of delivery and operating costs between large and small communities; license community organizations (or alternatively public authorities) to provide local delivery in smaller markets, selectively permitting cross-ownership of cable and broadcasting operations; and relax the restrictions on the eligibility of provincial governments or their agencies to hold broadcasting licences, especially where only signal delivery facilities are involved.

Saskatchewan has developed a proposal for non-profit community groups to be licensed to operate television stations on a subscription basis. Entertainment programs would be acquired at reasonable prices, and a percentage of gross revenue would be devoted to local programming once stability had been achieved; there are plans to form a special northern TV program-production group for that purpose. A provincial survey indicates that northern people would be willing to pay as much as \$15 a month for a service offering an alternative to CBC programming.

With regard to satellite carriage, Saskatchewan recommends that "television programming distributed by Canadian satellites should be distinctively Canadian in content and character," and that satellite carriage of US networks and stations should not

be authorized. Satellite networking should be so organized as to minimize disparities in delivery rates between small and large communities, and between urban and remote or rural communities; reasonable cross-subsidization is justifiable among certain classes of satellite services if the purpose is to make the national service available in both official languages, or to extend services to smaller and remote communities. Provision should be made for northern and native programming and advertising, the network being capable of delivering programs produced with relatively unsophisticated equipment. Saskatchewan further recommends that all network affiliation agreements should permit the local operator to cut in to network programming for local news, information, entertainment, and advertising; and that consideration be given to tiered pricing structures for cable and other local delivery systems.

6.3.8 Yukon Territory

The presentation of the government of the Yukon Territory was strongly critical of federal policies in several fields, more especially on the ownership and operation of earth stations. Dismayed by the limitation of the CBC ACP to communities with a population of 500 or more, leaving many in the YT unserved, the government determined that, by using innovative techniques, an inexpensive earth-terminal could be developed to serve much smaller communities, but all efforts to obtain federal approval for such a scheme were unsuccessful. Eventually, the YT government had no option but to lease back from Telesat the very earth station it had been instrumental in developing; the lease-back cost was 50 percent higher than the equivalent cost of outright ownership. Federal policy, it is charged, has prevented people in the territory from receiving the national television service at a reasonable cost, and has resulted in the allegedly gross underutilization of the capacity of Canadian satellites. A relaxation of restrictions on the ownership and operation of earth stations is strongly recommended by the YT government.

Alternative programming is a prime

need in the Yukon as it is elsewhere, and the YT government would support any plan that would meet the need, whatever the mode of transmission or delivery. The benefits of advanced satellite technology have been experienced by Yukon residents during the Anik B experiment bringing BCTV service to the territory, and its government strongly recommends the continuation of the experiment for as long as it may take to provide a reasonable range of Canadian and US programming to be provided by Canadian broadcasters and carried on Canadian satellites. The YT government is concerned to ensure the provision of services and the use of broadcasting facilities for the native residents, and urges the CRTC to give serious consideration to exceptional procedures that would facilitate and accelerate the implementation of innovative measures to provide adequate services throughout the territory. Attention is called to the danger that excessive pre-emption of broadcast time for native services would be unwelcome to other people in the territory.

6.3.9 Conclusion

The Committee, in common with all thinking Canadians, could not but be conscious that Canada is now in a climate of change, the outcome of which cannot be predicted with any certainty but will more than likely affect the structure of the Canadian broadcasting system to a greater or lesser degree. We would therefore reiterate our view that, in any decisions on new services and modes of broadcasting, the opinions, interests, and concerns of the provincial and territorial governments must be taken into full account.

6.4 Financing the Extension of Services

Several of the presentations put to the Committee make an explicit or implicit assumption that the equipment needed by communities not now served would be financed from public funds. These we address below, 6.8, "Some

36 General Presentations." Several others envisage systems that would be financed by subscription; these we address under the head of "Some Subscription Presentations," 6.9. The Committee has recommended (6) that consumer payment for all but essential services should not be excluded as a possible means of financing the extension of services, but a legitimate question is that of what should be regarded as essential.

Some people are of the opinion that the residents of northern and remote communities should not have to pay for television services freely available in the South, and this is a principle that is certainly valid for CBC services in English and French and other public services which are paid for in large part by taxpayers in general. It is debatable, however, as to whether it should also apply to services provided off-air by the private sector. We have seen that there are thousands of Canadians who can receive only the CBC services, or none at all. But today hundreds of thousands of people are paying to receive alternative Canadian services, which they cannot receive off-air, delivered by cable. It is perhaps regrettable that this should be so, but it is only one element in the generally higher cost of living away from the large centers of population, which gets higher as the distance increases. Further, a satellite broadcasting service entails the capital and operating costs of a TVRO and local delivery facilities, by cable or off-air; if these facilities are not provided or subsidized, the cost must be met by the community receiving the service.

Some very interesting submissions envisage the support of the local delivery system by subscription, the net revenues of such systems going to support the provision of the satellite service. Most of the charges suggested appear to be fairly reasonable, in view of the fact that many people in the North are already paying as much as \$10 or even \$15 a month for local delivery, and might be willing to pay more for a still wider choice of programming. It should be understood, however, that many of the very smallest communities, and particularly the native communities, could not afford to pay very much, and

would need subsidization if they are to be served at all.

Most of the proposals for subscription services are coupled with, but distinct from, pay-TV propositions. We shall proceed to examine these two aspects separately. They come variously from corporations backed by private broadcasters or cable operators, or from independent organizations seeking to participate in the broadcasting system.

6.5 Priorities for Satellite Carriage

The most important conclusion reached by the Committee is that television services in Canada are very far from satisfying the needs and expectations of some millions of Canadians living outside the heavily populated areas in the South. More generally, we observe that some people see rapid technological advance and innovative approaches to programming and services as a threat to the maintenance of a Canadian broadcasting system that will "safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada." In the past, some of the policies adopted with the purpose of furthering that objective can now be seen, with the benefit of hindsight, to have been attempts to stem the tide of new technology. It is much more important, in our opinion, to regard new technology and innovative approaches to services as a welcome opportunity to provide better broadcasting for everyone in Canada.

The Committee believes that there is no longer room for retrospective tunnel-vision about television. We are already living in a new communications universe. The total nature of that universe cannot be precisely identified, but many of its features and its outlines are already clearly visible. In planning for the extension and expansion of television services, an almost visionary approach must be made, in which difficulties must be seen as obstacles to be overcome and not as insurmountable obstructions to progress.

Much that has to be done cannot be done in the twinkling of an eye, but there are steps that can be taken immediately as the foundation for better and more comprehensive Canadian television services to be in place within two to five years.

With regard to what can be done now to get the whole machine moving, the Committee has recommended (2) that immediate action be taken to provide alternative Canadian programming for reception in remote and underserved areas. The next steps must be to initiate action, without any delay, aimed at achieving the objective of providing as wide a range of services as possible to be carried on Canadian satellites. The statutory requirement for a public hearing in advance of the issue of a licence is soundly based, but its implementation inevitably takes some considerable time. It would therefore be unreasonable to expect that, for all but some stop-gap type of operation, new television services carried by satellite would be on the air before the end of this year.

Limited satellite capacity (see 3.7) is an obstacle that must take some years to surmount and is therefore the governing factor in the number of new services that could be carried. This means that an order of priority must be established for the use of the channels available at any time in the future. Many of the presentations have proposed an order of priority, and there are only minor differences between them. It is one thing, however, to lay down an order of priority that would be unimpeachable in a perfect world but quite another to implement it fully when capacity is limited, or when nobody is prepared to offer services which, were they available, would qualify for high priority. It will therefore be necessary for the CRTC, in considering the issue of licences for satellite services, to guard against the danger of blocking out some highly desirable service that is not immediately being offered but is in an advanced stage of planning. Any established order of priority must be flexible enough to give the CRTC room for discretion in its application.

with licence applications for satellite television services, should consider adopting the following order of priority in principle:

1. The public sector:(6)
 - a. CBC national services
 - b. provincial educational services where available
 2. The private sector:
 - a. the English- and French-language network services
 - b. other Canadian services
 3. Optional services (see chapter 7) offered by:
 - a. the public sector
 - b. the private sector
 4. Pay-television services.
-

6.6 Canadian Content

It should be recalled that, in the view of the Committee, services offering alternative programming to be carried by satellite should be provided by Canadian broadcasters and should respond to audience needs by the inclusion of a reasonable volume of high-quality foreign programs. Much of the concern about the threat to Canadian culture from the widespread viewing of foreign programs is really related almost exclusively to US mass-appeal programming. But that is only one side of the coin. A popular French-language service presents a selection of programs produced in France; how else could alternative programming be provided for Canadian francophones?

The CRTC will shortly be holding a public hearing on the matter of Canadian content, and it is not within our terms of reference to make recommendations in that regard. We firmly believe that the new standards for Canadian content will afford Canadian program-producers the opportunity to show their worth. We have had many presentations which, while acknowledging the limiting effect of existing Canadian content regulations, have expressed overwhelming confidence in the capacity of the Canadian production industry to produce programs that are

Recommendation 24 The CRTC, in dealing

- 38 both Canadian and world-class, to the great benefit of producers, performers, technicians, and others involved, and of the Canadian viewer.

6.7 Responsibility of the CRTC

The foregoing are some of the questions the CRTC will have to address in its public hearings on applications for licences for new services. Most of the presentations the Committee has received are in the form of broad proposals, which are necessarily much less complete than formal licence applications. We are therefore not in a position to recommend the acceptance of any particular proposal. All the Committee can do is to comment on some of the more comprehensive ones and make recommendations to the CRTC on the principles that might be beneficially applied in considering the licence applications.

6.8 Some General Presentations

6.8.1 The Public and Private Networks

Section 3(e) of the Broadcasting Act declares that "broadcasting undertakings in Canada ... constitute a single system ... comprising public and private elements." A manifestation of a move to put that declaration into practice is an agreement in principle between the CBC and the two private networks, CTV and TVA, that would make it possible to provide alternative television service, of a sort, for satellite carriage after a minimal delay. The separate TVA presentation makes an important point: that any arrangements for the extension of service in the North must provide a second French-language service for approximately a million francophones living outside Québec.

The first stage, which would be feasible only if a permanent licence were granted for the CBC parliamentary service, because it

involves greater use of the parliamentary channels, would provide packages of programming prepared by (and at the expense of) the CTV and TVA networks; reception would accordingly have to be limited to communities not already served by them. No additional satellite rental would be incurred, but communities choosing to receive the new service would have to make some investment in equipment. CBC network service in English and French is carried on the 6/4 GHz channels of Anik B; the CBC parliamentary service is carried on Anik A-3. Communities not now receiving the parliamentary service would need a second TVRO or, in those where there is no cable service, a low-power transmitter for local delivery. The CBC sees the joint proposal as a logical expansion of the ACP, which should therefore also be financed from a special parliamentary appropriation because the service would be provided in response to the requirements of the federal government. An important merit of this stage-one proposal is that it could be implemented with little delay once licensed. The disadvantage is that any service wrapped around the broadcasting of parliamentary proceedings would have little, if any, chance of attracting an audience for Canadian programming, that is to say of competing successfully with US programming for audiences in underserved parts of the country. Although better than nothing as an interim step, the new service would fulfil only a fraction of what is needed.

6.8.2 Canadian Broadcasting Corporation, Stage Two

The CBC, in addressing the provision of alternative services of a more comprehensive nature for carriage by satellite, calls for immediate discussions between the broadcasters and the federal government on the assembly of other Canadian services to be carried by satellite as capacity permits. These would include provincial and territorial educational services (insofar as they exist now or in the future), CBC-2, and programming provided by the private networks and independent broadcasters. Reception and delivery would, in most cases,

have to be limited to northern and remote areas, according to the CBC, so as to avoid disrupting the present market structure in the South.

A separate submission from the private-sector affiliates of the CBC English and French networks draws attention to their responsibility for local service; their existence depends on remaining competitive with other commercial operations and they fear that their interests may be overlooked in discussions of new, primarily urban-oriented, types of service to be carried by satellite. Some would be willing to contribute programming, but believe that such new packages, if they are to become available in southern areas already well covered, should rely on subscription revenues rather than advertising, because the resultant fragmentation of audiences would encroach on the already limited revenue from national advertising on which their ability to produce local programming is partly dependent.

6.8.3 Canadian Association of Broadcasters (CAB)

The CAB points out that network distribution of CTV and TVA programming to remote areas would not be particularly appealing, because it does not constitute a single integrated schedule and would be interspersed with large gaps when affiliates break away for local programming of no particular interest elsewhere. Satellite carriage will, it is said, continue to be uneconomical until rates are much reduced and licences granted to own and operate uplinks. CAB is uncompromisingly opposed to the licensing of superstations, on the alleged ground that the resultant fragmentation of audiences would be devastating in smaller markets and significant even in the larger urban markets.

The CAB suggests the provision by the federal government of an entirely new service for satellite transmission, embodying the core of CTV and TVA network programming along with program contributions from private stations. It would not be feasible for the private sector, according to the CAB, to

provide a service exclusively oriented to northern audiences, particularly in native communities, or to produce native-language programming. The suggested new service would, of necessity, consist of programs produced for the large audiences in the South. Much of it would be pertinent to the North, but communities that did not want it would be free to do without. Further, access would be provided for the insertion of native-produced programming, and an advisory council is suggested to work out the details. The service should be carried on the 6/4 GHz band to obviate a duplication of TVROs. Arguing that the private sector has virtually reached the limit of its financial ability to extend its services, the CAB points out that the proposed service would attract little or no additional revenue from advertisers because of the meagre additional audience to be served, and concludes that the cost of providing it in sparsely populated and remote areas should be the responsibility of the different orders of government.

6.8.4 Global Television Network

Global supports the need for extension of television services to remote areas, reiterates the necessity of protecting the interests of existing broadcasters, strongly opposes the licensing of superstations, and believes that the cost of extending services to remote areas should be met by the federal government. Global would be prepared to provide a service for northern and remote communities, substituting some or all of its imported programs for the Canadian programs aired by other Canadian stations. No revenues would be expected by Global for its program service, but it would expect to recover the cost of assembling such a hybrid package.

6.8.5 Joint Action Committee on Pay-Television and Satellite Policy (JAC)

This organization presented a brief representing the interests and recommendations of 11 associations and special interest groups (listed in Appendix F.1). Two main principles relating to the extension of services were laid down.

40 First, the JAC expressed the belief that the threat to Canadian television in the 1980s lies less in the progressive invasion of American programming than in the vulnerability of the Canadian system, which should, for its survival, become more effective, and more effectively Canadian. Second, the JAC expressed the opinion that it is not the responsibility of the Canadian broadcasting system to provide all Canadians with equal access to American programming; "the assumption that such access is the Canadian birthright must be confronted." The JAC recommends that immediate priority should be given to the assembly of a program package to be carried by satellite, which would include a reasonable mix of French- and English-language channels, at least one channel for provincial/regional use, and room for regional and local programming. Provinces not now producing programming should contribute to production costs; for the rest, the package would be financed by cross-subsidization from revenue generated by "additional services" carried by satellite.

It is proposed that a Crown corporation (TeleCan) be established to assemble and distribute the service, which would incorporate two premium channels. It would collect and allocate the revenue generated to commissioning, purchasing, or subsidizing Canadian program production. Further, the JAC suggests giving TeleCan a monopoly right in Canada to purchase all foreign programs for television delivery, but it is conceded that this feature is not essential to the main proposal. The board of directors would include representatives of direct-interest groups (producers, 'talent,'⁽⁷⁾ and the private sector), the presidents of the CBC and Telesat Canada, the chairmen of the NFB and the Canadian Film Development Corporation (CFDC), and representatives of the public and the provinces; representatives of the public and of the federal agencies should form the majority.

The proposal is for a very large package, so large, in fact, as to represent a complete Canadian satellite-broadcasting service, requiring the use of 11 channels. It is suggested that this service should be carried initially on the 6/4 GHz band and transferred

to the 14/12 GHz band when capacity becomes available to ensure its universal availability. The JAC makes detailed projections of revenues based on a charge of \$2.50 a month per subscriber to cable and other delivery systems taking the service, supplemented by a further charge of \$1.50 a month per subscriber for delivery systems choosing to market the premium channel(s). The rate per subscriber for the basic service would be increased on a rate-of-return basis. This proposal is something of a hybrid, for it mixes the extension of services to meet the needs of northern, remote, and underserved areas with the provision of optional premium services which, as we shall show, are a specialized form of pay-TV. We shall therefore revert to it in chapter 10, which deals with proposals for the organization of pay-TV in Canada.

6.9 Some Subscription Presentations

6.9.1 All-View Network One, Inc.

All-View Network One is a wholly owned subsidiary of All-View Interphase Systems, Inc., the leading Canadian supplier of master-antenna television (MATV) systems, which is in turn controlled by Baton Broadcasting, Inc. All-View proposes that:

- . The 14/12 GHz satellite system should be designated as the preferred method of carriage for the transmission of television services throughout Canada.

- . Pay-TV, offering attractive and culturally enriching programming, should be authorized.

- . All-View would provide a national service for the supply and servicing of direct-to-home antennas for the 14/12 GHz transmissions.

- . This national antenna system would comprise a national distribution company, and a second level (on which All-View would concentrate its efforts) of licensed or franchised local and regional dealers marketing, installing, and servicing the equipment. The proposed system would create a national marketing base enabling the manufacturer to tool up for mass

production of antennas at an ultimate cost of less than \$400 each.

6.9.2 Canadian Satellite Communications, Inc. (Cancom)

This corporation proposes a full broadcast day television service assembled from the programming of two independent stations (CITV-TV Edmonton and CHCH-TV Hamilton), one CTV affiliate (CHAN-TV (BCTV) Vancouver), and one TVA French-language affiliate (CFTM-TV Montréal). Native-language TV programming would be added when there is enough of it to sustain a continuing television service. All the stations are already licensed, and Cancom has no present intention to include US stations or pay-TV services. The total package would also include three radio services, one from eastern Canada, one from western Canada, and an Inuit/Indian program service. Cancom believes that, subject to a satisfactory agreement with Telesat and the issue of the requisite licence by the CRTC, this service could be in operation by the fall of 1980. It would contain 60 percent Canadian content overall and 50 percent in prime time, and would, it is claimed, "mirror the cultural and linguistic differences of most of Canada" (except, we note, the Atlantic provinces). Licensed cable systems outside metropolitan areas, where they exist, would deliver the service locally, and it is possible that the attraction of this alternative programming might make it economical to install cable systems in some marginal communities. Elsewhere, local delivery would be effected by low-power off-air transmitters. Local broadcasters should be protected, in the latter case, by the priorities established by the CRTC for cable delivery. To prevent unauthorized reception of its services, Cancom proposes to scramble its signals before transmission to the satellite.

The Cancom proposal is aimed at viewers in remote and non-urban areas, and the corporation is satisfied that its services would be economically feasible without including large urban centers. The proposal envisages a fixed cost for the service, at a level

competitive with current charges to subscribers to cable systems fed by microwave in northern and remote communities, which are generally higher than in larger urban centers. No support from an ancillary pay-TV service would be required, but some cross-subsidization would facilitate access in communities too small to afford a delivery system without it.

6.9.3 Canadian Satellite Network, Inc. (CSN)

The shareholders of CSN are 96 cable companies serving about 58 percent of all cable subscribers in Canada. The proposal would be implemented in three phases. Phase I is now temporarily in operation: the House of Commons proceedings are being distributed to affiliates (in competition with the CBC) at a charge of 5¢ a month per subscriber. The programming for Phase II would (subject to agreements) comprise: special programs provided by Multilingual Television (Toronto) Ltd. (MTV); the Galaxie children's programming provided by the OECA; and a special package of CTV network programming. An affiliate taking Phase II would be obliged to take Phase I. The monthly charge per subscriber would be 10¢ for either MTV or Galaxie, or 15¢ for both. The CTV package would be offered free in communities not now served by a CTV affiliate. The purpose of Phase II is to provide an almost immediate stop-gap of alternative and supplementary programming for northern and remote areas, pending more permanent alternative services.

Phase III would aim, CSN says, to present a wider range of programming from a TVA affiliate (Télé-Métropole); CHCH-TV Hamilton (independent); and two US networks, CBS and PBS. The monthly charge per subscriber for each of these services would be 10¢ to 15¢. So far, the CSN plan may be regarded as a subscription proposal for the extension of services, but there are two catches. First, a letter from Télé-Métropole, dated 21 March 1980, informs the Committee that Télé-Métropole has never had any communication or negotiations with CSN on this matter.

- 42 Second, Phase III would also include the offerings of PTN Pay Television Network Ltd., a corporation closely associated with CSN. This link appears to be an indispensable component of the proposal, and we must therefore examine the CSN plan later, in chapter 10.

6.9.4 Conestoga Satellite Services Ltd.

Conestoga suggests dual subscription services, basic and premium, for which it would act as distributor without being involved in production or local delivery. To make this possible, the CRTC is urged to adopt a policy of licensing wide-area relay services (WARS), subscriber rates for cable service being regulated as at present. WARS would use satellite carriage to extend alternative services to underserved areas and remote communities of 25 or more households; the monthly charges per subscriber would range, depending on the area served, up to a maximum of \$1 for the first channel, 20¢ for the second, and 10¢ for each additional channel.

Conestoga's basic subscription service would initially include CBC (English and French); educational services, where available; a northern service; CTV and TVA network programming; and 'omnibus' channels, one in English and the other in French, carrying federal and provincial parliamentary proceedings, educational programming, and programming for children. In addition, premium services in English and French, carrying programs not available on conventional television schedules, would be offered on a selective and optional basis; tentative monthly charges per subscriber would be 18¢ for the first premium channel, English or French, and 7¢ for the second. Conestoga's market analysis indicates that the eight basic services could be delivered, on an optional basis, to northern and remote communities at equitable rates; the system would be self-supporting and not dependent on cross-subsidization from the premium services.

Conestoga also makes a recommendation of interest in relation to the needs of the many Canadians, particularly in northern and remote areas, who work shifts and are

even less adequately served than their neighbors for that reason. It is that the CBC be authorized to introduce two 24-hour services, in English and French, for national carriage by satellite to all local delivery systems. These services would not be time-sensitive, and the schedules should include news and current-events programs as well as entertainment.

6.9.5 Norcom Telecommunications Ltd.

In all the foregoing proposals there is an underlying assumption that northern and remote communities will somehow be provided with reception and delivery equipment enabling them to benefit from the new services proposed. Norcom is interested in providing such equipment to communities not now served by cable at a cost acceptable to subscribers and conforming to a standard to be prescribed by DOC. Norcom would provide for the installation of 3,780 two-way earth-stations over a 30-month period; these would be available to any licensed or authorized organization for a standard fee but would be owned, operated, and maintained by Norcom. An eastern uplink in the Ottawa-Hull area would carry two video signals with associated audio, and two FM radio signals; a similar western uplink, located west of Kenora, Ontario, would carry two video signals and three FM radio signals. By this means, nearly 80 percent of Canadians would receive programming within an hour either way from the time-zone of each uplink. The programming of the CTV network would be carried, at no cost to CTV, to areas not now so served. In addition, a non-commercial all-Canadian service would be provided, in English and French, carrying programming contributed free by producers and Canadian events not shown by television stations, and access would be provided for regional and local programming.

Under the Norcom plan a typical local delivery system would offer local CBC-TV (English and/or French); House of Commons proceedings (English and/or French); CTV; the proposed all-Canadian non-commercial service (English and French); provincial educational programming, where available; a

non-network TV channel; a 24-hour weather channel; a community-access channel; a local time, temperature, and bill-board channel; and a local program-guide channel. On the basis of quotations from a Canadian manufacturer of TVROs, and from TCTS for the necessary uplinks and satellite capacity, and after extensive market research, Norcom is satisfied that its plan is economically feasible and could be implemented very quickly after it has been approved and authorized by DOC and the CRTC.

The earth station equipment installed by Norcom would have two-way capability. Norcom has been peering into its crystal ball, and in it has foreseen the day, perhaps not too far off, when businesses and farmers and individuals in remote areas will be willing to pay handsomely for connections to information and computer systems. The Norcom presentation wraps broadcasting reception facilities into its plans for the data-transfer services to be offered.

6.9.6 QCTV Ltd.

QCTV was licensed by the CRTC in September 1978 to provide extension of cable service in Alberta to 22 rural and remote communities (with seven others to be taken into consideration). Cable service will be available in 10 of them by the fall of 1980, and in the others by September 1981. Meanwhile intensive engineering studies have been undertaken to establish the most cost-effective ways of extending service to communities beyond the range of the Alberta Government Telephones (AGT) plan to carry two US channels into 30 communities; to the seven additional communities under consideration; and to about another 50 communities to which service could not be economically extended using conventional technology.

The QCTV presentation suggests that the engineering studies and the experience gained in its current operations have led to principles and techniques that would be applicable, possibly with some minor variations, throughout Canada. QCTV makes the argument, drawing an analogy with railroads

and mail service, that the inadequacy of the Canadian communications system is attributable to ineffectual local distribution. Cable systems should therefore not be regarded as an extension of the broadcasting system but as one of its vital and integral components. Successive AGT microwave plans are expected to bring two US channels to 10 cities and 30 towns by 1985, but this will still leave a large number of Alberta communities without a reasonable choice of television programming. QCTV therefore proposes to develop rural cable TV systems based on the reception and distribution of satellite signals.

6.10 Conclusions on the Extension of Television Services

In the foregoing subsections, we have summarized some of the presentations made to the Committee with regard to the extension of television services to remote and underserved areas. There were other presentations of interest, and those selected for summarization should be taken as only the most comprehensive. There are few variations in suggestions for an order of priority for satellite carriage, and we believe few would quarrel with our recommendation (24) on that subject. The Committee is very conscious that the whole cost of the extension of television services could not, as a practical matter, be borne by the federal government. Many people in the North and remote areas are already having to pay for such television as they may be able to receive, and the presentations summarized in 6.9 offer a variety of ways to satisfy needs at reasonable cost to viewers. We have accordingly recommended (6) that subscription services should not be precluded as a means of providing services where there are none, or alternative Canadian services where they are not yet available. As we have said, it is not for the Committee to make specific recommendations as to the acceptance by the CRTC of any one of the presentations made. These are mostly much less detailed than formal

44 licence applications, and it will be for the CRTC to decide, after public hearings, on the best means of extending television services to remote and underserved areas in all parts of Canada.

6.11 Simplification of Licensing Procedures and Regulations

All too often we met or heard from people, especially native people, who feel that their initiatives directed at better services are being frustrated by what they see as a maze of red tape and inflexibility, or even obstruction. The regulators do not, of course, see it that way, but they see the system only from the top. Anyone who has seen a mushroom only from the top would be smart indeed to be able to guess what it looked like from below, and the Committee believes that serious consideration should be given to the way the system looks to some of those who see it only from below.

With regard to the licensing of radio equipment, DOC is obliged to comply with international agreements for the use of the RF spectrum, and to ensure that it is used to best effect in the public interest, so that communications not be subject to interference. In southern Canada, and especially for some distance from the US border, the fulfilment of those obligations is a complex matter, for which very detailed standards and procedures have had to be developed and enforced by DOC. It is often argued that much simpler arrangements might be introduced in the North and other remote areas.

The Governor in Council, that is to say the federal Cabinet for all practical purposes, is empowered by Sections 22 (1) and 27 (1) of the Broadcasting Act to give directions to the CRTC on, inter alia, eligibility to hold broadcasting licences. The purpose of this is to ensure effective Canadian ownership and control of the Canadian broadcasting system. In these days it is often as difficult to identify precisely the real seat of ownership or control

of a large corporation as it is to unravel a spider's web, which at least has a recognizable shape. In addition, the Commission must concern itself with the implications of cross-ownership and the dangers of monopolistic ownership of all the media in a particular area or region; the same unravelling process has to be undertaken to get to the root of the matter. The problem of allowing virtual monopolies to be created without proper safeguards will recur in consideration of proposals for the introduction of pay-TV in Canada.

The Committee was asked more than once why it should be necessary for the CRTC, when considering a licence application for some minuscule broadcasting undertaking in a remote community, to pick into every detail of the business affairs and share interests of each of the group of volunteers making the application. It would be rather far-fetched to attempt to justify this procedure lest all the volunteers were foreigners, or that one or more of them controlled all the often non-existent mass media in the community or area. And, it may be asked, why not, if the only other medium in a remote or native community is an unaspiring news-sheet confined in its coverage to local news and matters of purely local interest? But there is another side to the picture. Advocates of community control of local delivery systems are often at pains to ensure that the residents not be taken for a ride by some southern entrepreneur. We understand that some progress towards simplification of procedures has already been made in both DOC and the CRTC but believe, as a Committee, that a further review should be undertaken.

Recommendation 25 A review should be jointly initiated by the federal Department of Communications and the CRTC with a view to finding additional ways to simplify licensing and regulatory procedures applicable in northern and remote areas and communities.

Footnotes

6. Satellite carriage of the proceedings of the federal and provincial legislatures should have high priority; the issue of whether the service should be provided by the public sector or the private sector is still unresolved.

7. 'Talent' is a term used in the broadcasting industry to describe all the artistic occupational groups involved in the production of programs.

Particular Needs for Extension of Services

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7.1 French-language Services

All Canadians are entitled, by statute, "to broadcasting service in ... French as public funds become available." The CBC French network services extend across the country and are carried by satellite. But only in Québec and parts of Ontario and New Brunswick is alternative French-language service available.

The Committee received many representations from associations concerned with the spread of French-language service, which were reinforced by the concerns expressed by French-speaking artists, film-makers, and program producers. L'Association canadienne de la radio et de la télévision de la langue française regards the extension of French-language services to the West as at least as urgent as projects to fill the gaps in English-language services in remote and underserved areas. L'Association canadienne-française de l'Ontario calls for an improvement in CBC French-language radio and television services in Ontario, particularly in northern communities; great importance is attached to the abandonment of the 500-resident qualification for service under the ACP. The services of Radio-Québec should, it is urged, be made available throughout Ontario, as well as Channel 99, which distributes programs produced in France. L'Association culturelle francocanadienne de Saskatchewan represents the francophones of that province, who are widely dispersed. Often groups of only about a dozen families are surrounded by an anglophone community, and are at a distance from the nearest francophone community. The programming of the CBC French television network is, but for some regional input from Winnipeg, essentially Québec-oriented. It is maintained by the association that isolated cultural groups and communities are as much entitled to alternative programming as communities that are geographically remote, and that the provision of alternative French-language services is imperative.

The situation in Saskatchewan is in

no way unique, for similar conditions apply throughout the West and in many parts of the Atlantic provinces. The Committee accordingly urges that the needs of French-speaking Canadians in wide regions of the country be fully taken into account in plans for the extension and expansion of broadcasting services. Wherever possible, French and English services should be carried on the same satellite so as to permit local delivery from a single receiving dish.

7.2 Special Areas and Needs

7.2.1 General

Somewhere between underserved regions and communities, there are several areas of Canada in which, for reasons of time or circumstance, even the implementation of the ACP has not caught up with the needs of the residents for special broadcasting services. They are not asking for more, like Oliver Twist, but for mere sustenance, at a level no richer than most other Canadians already receive. Some are victims of time, in the sense that they were accorded a low priority in the expenditure of public funds, because priorities are, in general, assigned quite reasonably on the principle that communities where services can be provided at the lowest cost per capita get served first. An objective of the ACP is to provide intraprovincial feeds, and the implementation of that objective would go far to remedying the present defective services in the special areas under discussion.

Recommendation 26 Action should be taken to accelerate the provision of intraprovincial feeds in conformity with the objectives of the CBC Accelerated Coverage Plan.

7.2.2 Newfoundland and Labrador

Broadcasting services throughout much of the province of Newfoundland and Labrador are far from adequate. Where cable service is

available on the island itself, only two distant signals can be received by microwave, because no more are brought even as far as Sydney, Nova Scotia. Cable subscription rates are \$9 or \$10 a month, and even if more signals were to be brought to Sydney, the high cost of additional microwave links in Newfoundland would raise subscription rates still higher. Satellite services, on the lines suggested by the Atlantic Television System (ATV) (7.2.3), appear to be the only solution. On the south shore there are more than 20 communities, ranging in size from about 360 to 750 people, with a total population of about 50,000, of which only three (of which one is Corner Brook) have cable service; the need for some alternative to CBC programming is pressing.

Labrador may be divided, in this context, into two groups of communities. The three resource and industrial centers in the southwest have needs similar to those in many other parts of Canada, more choice of programming, more information, and more entertainment. For the last, approval is being sought in Labrador City for a community-operated system for the reception and delivery of signals from the US satellite.

The needs of the people of the entire northeastern coastal strip are distinctly different and special. In eastern Labrador there are 31 communities, ranging in size from 20 to 7,500 people, spread along the coastline. The people fall into three distinct cultural and linguistic groups. The coastal communities harbor the descendants of European pioneers who settled in Labrador up to 250 years ago, some of whose descendants have intermarried with native people; they are English-speaking but have developed their own cultural characteristics and a language of their own that has a larger vocabulary than standard English. The Labrador Inuit have retained their native culture, which differs in some respects from that of the Inuit living farther west. The Naskapi and Montagnais Indians are in the same position, and there has been no significant assimilation of the former. Most Inuit and Indians speak some English, but their native languages are most often used within the communities. In recent years a better recog-

nition of regional identity has developed, leading to the creation of special-interest groups, such as regional development associations, sports and recreation coordinating bodies, and resource advisory committees. The three most important of these are the Labrador Resources Advisory Council (representing all the coastal communities), the Labrador Inuit Association (a regional constituent of Inuit Tapirisat of Canada), and the Naskapi-Montagnais Innu Association. In all but a very few small settlements, CBC radio and television services are available, but community and area needs are far from being even partially satisfied.

The Committee held a public meeting in Goose Bay-Happy Valley, Labrador, which was well attended and at which many of these special needs were lucidly described. For Labrador as a whole, including the industrialized centers, local and area needs and expectations were neatly put in a written presentation from the Combined Councils of Labrador, representing all local-government bodies, whether incorporated or not, in Labrador. The Combined Councils recommend that:

- . All holders of broadcasting licences should be required to take into account the needs of areas outside but adjacent to their main coverage areas, and to provide the widest possible range of services regardless of the smaller base for advertising.
- . The CBC should not be permitted to expand facilities in metropolitan areas until all remote areas have access to basic service.
- . In areas where there are distinct native and other cultural groups, as in Labrador, at least eight hours a day of programming in their native languages should be provided.
- . The CRTC should assume responsibility for "the demystification of electronic broadcasting," which should not be allowed "to remain the private preserve of technocrats."
- . The CRTC should, as a contribution to the fulfilment of national objectives, encourage the creation of regional networks where, as in Labrador, there are common community interests.
- . Steps should be taken to provide for regional

- 48 and community participation in programming.
- . The CRTC should review and amend, as necessary, all its regulations, with a view to greater flexibility in the application of advancing electronics technology.
 - . Regions served should have a degree of control over the services provided, so as to allow for proper expression of local opinion.
 - . A realistic approach should be taken to the regulation of Canadian content, recognizing the impending impossibility of controlling reception of foreign programming, with the object of promoting the production of Canadian programming of higher quality.

7.2.3 Atlantic Provinces

The level of service in Nova Scotia was brought to our attention by ATV. ATV and its two subsidiaries provide alternative programming throughout the Maritimes from 22 transmitters fed through a combination of leased and owned microwave links and off-air pickup. Nearly all English-speaking residents of Nova Scotia, Prince Edward Island, and New Brunswick can receive ATV service, but there are small remaining pockets of people for whom it would be difficult and very expensive to provide access. The three companies, all members of the CTV Network, support the CBC/CTV/TVA proposals for extension of service in the North (6.8.1), but their implementation will not solve the immediate regional problems. The ATV system could be much improved by a satellite feed. For this the Anik C satellites, transmitting on 12 GHz, would have to be used, provided that the cost could be amortized over a variety of services. One of the two channels on a single transponder could carry ATV service to the maritime provinces and Newfoundland on behalf of the CTV Network. The other channel would be available for pay-TV in prime time, if it is to be introduced, and for other optional programming during daylight hours. The plan would be economically practicable only if uplink facilities were available "at a realistic cost" and transponder rates for the Anik Cs were lower than are at present indicated. There must be many other special areas of Canada where

similar action might result in more varied broadcasting services.

7.2.4 New Brunswick

New Brunswick as a whole has justifiable cause for complaint, for it is the only province in which the CBC does not own and operate its own English-language television station; full national network services are thus not available anywhere. But even more serious cause for complaint lies with the Acadian population, who have waited for decades for local and area service in French. Northeastern New Brunswick is an area with a large French-speaking majority. Out of a total population of about 120,000, there are 90,000 francophone Acadians, the largest and most homogeneous francophone community in Canada outside Québec. The area receives only one French-language television service, that broadcast by CHAU-TV Carleton, Québec, an affiliate of the CBC French network. Part of the programming produced by CBAFT Moncton, the regional station of the CBC, is rebroadcast by CHAU-TV under a special agreement. It is an odd topographical feature of the areas south of the Baie des Chaleurs that signals transmitted by a station on the Québec side are more readily picked up than those from further south. The CRTC announced (17 October 1979) that conditions are now ready for the solution of this problem; the CBC has expressed its willingness and determination to co-operate, and the CRTC is to do everything in its power to expedite matters and find practical solutions.

New Brunswick is the only Canadian province that is bilingual by statute; the Acadians constitute some 33 percent of the total population. They, like most other Canadians, are interested in international and national news and public affairs, but they have their provincial, regional, and local interests too; nothing in French is available in the northern part of the province but a trickle from Moncton and a flood of largely irrelevant programs from Québec. Acadians who have cable service can receive only one French-language station as against four or five English-

language stations. La Société des Acadiens du Nouveau-Brunswick (SANB) presented an eloquent plea on behalf of the richly distinctive Acadian culture and language, charging that Acadians have received little effective assistance from the CBC and the CRTC. SANB says that recently, in despair, it has even been suggested that they should apply for help to the Canadian International Development Agency (CIDA) on the principle that charity begins at home. SANB points out that CIDA is spending millions of Canadian dollars on communications systems in developing countries, many of which are already better equipped and served in that respect than the Acadians in Canada. The Acadians are described by SANB as remote in every sense, not only geographically but politically and economically remote, and remote from all the technological and other developments going on in the rest of the country. They are understandably far from happy in those circumstances, and the Committee believes that their special needs deserve attention, without having to wait another decade or longer for proper service.

**7.2.5 Underserved Areas
 in Québec**

Television services in the Gaspé Peninsula are notably inadequate. Broadcasts are received from CHAU-TV, the CBC affiliate referred to in the preceding subsection, which also rebroadcasts some programming from Moncton. This circumstance, coupled with the fragile nature of the market in the coverage area, makes it difficult for CHAU-TV to give proper local and regional service to the French-speaking people of the Gaspé Peninsula. Part of the trouble is due to limitations arising from frequency allocations in southeastern Québec, New Brunswick, and the northeastern parts of the US. The resolution of the Acadian problem in New Brunswick, to which the CRTC and the CBC are committed, should enable CHAU-TV to give better service to its own proper local area.

The Committee received an important presentation from L'Association des câblodistributeurs du Québec, Inc., which re-

presents cable undertakings of very varied dimensions; together they serve more than 750,000 subscribers, 95 percent of the total in Québec. The association draws attention to the need for cable to provide services that complement television services, and calls for planning of diversified services (in concert with producers) to meet the needs of viewers; maximum possible extension of services; networking of Québec cable systems; more flexible methods of financing; and access to new financing sources so as to respond to the realities of the market. The potential of the network for interregional links would, it is said, be enlarged by the use of satellite carriage and local reception and delivery.

Not far north of the National Capital Region, there are the vast Abitibi and Temiscamingue regions of western Québec, in which there are some areas where there is no broadcasting service at all and, where there is even radio service, there is seldom any choice of programming.

It should not be overlooked, of course, that there are no doubt many small anglophone pockets scattered among the French-speaking areas of Québec and New Brunswick; their needs will also have to be satisfied as soon as may be practicable.

**7.2.6 Ontario and
 the West**

It is not to be inferred that the examples we have cited are exhaustive, for all across Canada there are areas that could be singled out on similar grounds. The special needs of many communities in northern Ontario were forcefully presented to the Committee at the public meeting in Geraldton. There are many areas of Manitoba and Saskatchewan where there are no alternatives to CBC service. The Northern Alberta Development Council told us of some 40,000 Albertans who receive only a single CBC television channel; they want CBC French-language services (where applicable), CTV for alternative English-language programming, and the provincial educational service and other Alberta programming.

The government of British Columbia

50 has drawn attention (6.3.5) to the four percent of the population of the province, or nearly 100,000 people, who have inadequate television service or, in some cases, none at all because terrestrial delivery is either technically impractical or economically infeasible in some areas.

Parts of Vancouver Island and the more remote areas of the province are notorious for the inadequacy of available broadcast services and it is there, according to press reports, that the unauthorized reception and local delivery of US pay-TV services carried by satellite is spreading like wildfire, with no compunction whatsoever about what might be termed the skylifting of other people's property. In northern BC and the Yukon, people expressed a strong desire for the continued carriage of BCTV on Anik B.

7.2.7 Conclusions and Recommendations

At this point, we would suggest that the television-overfed denizens of the great metropolitan centers in the South might take a little time to reflect on what their reactions would be if they had to make do with the starvation diet served to so many hundreds of thousands of their compatriots. In the special areas we have been discussing, equitable treatment should not be denied; their residents should have access to the national public networks, and services should be provided that respond to their particular local, cultural, or linguistic needs.

The Committee has cited only a few examples that have been brought to its attention, but is aware that there must be others with similar and equally justifiable cause for discontent; remedial action should be taken without delay.

Recommendation 27 The CRTC, in addressing the general subject of extension of services, should in particular call for licence applications that specifically relate to the satisfaction of special regional and area needs and concerns, and which may be based on either satellite or terrestrial modes of carriage.

7.3 Special Services

7.3.1 Education

Few of the provinces can afford to set up their own educational television systems, but the interest is evident in almost every part of the country. The Committee therefore believes that high priority must be attached to the inclusion of educational programming, acceptable to the provincial governments, in any plan for satellite services on a country-wide basis. To take a particular case, the OECA operates the TVO service, which reaches 87 percent of the population of the province. TVO, operating in both VHF and UHF modes, comprises nine owned-and-operated stations with microwave links to outlying communities, as well as cable delivery in the broadcast coverage areas. OECA is participating in the DBS experiments, providing transmission of TVO service on the 12 GHz portion of Anik B directly to 46 locations in northern Ontario. The objective is to reach the entire population of the province by a hybrid system that uses the DBS transmissions to feed additional off-air transmitters, and individual farms and rural households. Outside Ontario, OECA is interested in cooperating with other educational jurisdictions in the provision of an inter-provincial educational service which could be carried by the four spot-beams of Anik C-1. A further interest lies in marketing OECA programs internationally as a means of generating additional revenue. The OECA presentation supported and complemented that of the Ontario government, with recommendations on a number of matters touched on elsewhere in this report. OECA supports the pay-TV objectives and guidelines (Appendix D) in all but one particular, opposing the creation of a single national distributor, and might be interested in increasing its revenues by offering certain services for a supplementary fee, or by investing in a licensed pay-programming enterprise.

The Committee received some presentations from other educational organizations. The Canadian Association for Adult

Education believes that no public service, whether of federal or provincial provenance, should have to be paid for, and stresses the necessity of making use of new broadcasting systems to spread information and knowledge. Its insistence on the nature of the RF spectrum as a national resource was reflected in a presentation from the Educational Television Centre in the Memorial University of Newfoundland; it recommends the reservation of a quarter of all available satellite capacity for public purposes (taking regional and local needs into account), and for federal development grants to the provinces and incentive grants to industry in order to spread the base of knowledge and experience throughout Canada. The authors of the presentation recognize the high cost involved, but believe that it would be justified by the benefits deriving from interactive communications among the more than 4,000 established communities in Canada within 10 years and, within 20 years, among all Canadian households. A presentation from the Thomas More Institute of Canada, which engages in the provision of educational courses for special groups and in the training of discussion leaders for that purpose, describes the success and proliferation, internationally, of bodies offering educational courses on the principle of the open university, citing Athabasca University in Alberta as an example. The value of such methods is stressed for the provision by satellite of educational opportunity in remote and northern communities.

7.3.2 Religious Programs

The Thomas More Institute is Roman Catholic in concept, as its name implies, but widely ecumenical in practice. A presentation was made by a more directly religion-oriented body, Crossroads Christian Communications Inc., which is engaged in the domestic and international distribution of television programs and wants to extend its service to the North. Calling attention to the opportunity afforded by broadcasting to attend to the spiritual needs of Canadians, it proposes to apply for the use of a satellite channel and

would be willing to share its capacity with other religious broadcasters.

The Committee attaches the highest importance to the use of television facilities for educational and religious programming but has, so to speak, only one pair of hands. Among the multitudinous and complex issues brought before it, those of educational and religious services are not susceptible to specific recommendations until the shape of the new broadcasting universe is better defined and understood. The most that can be said at present is that they must not be forgotten in the scramble for use of limited satellite capacity.

7.3.3 Multilingual Services

Multilingual radio and television services are being provided in some cities by the private sector, and a presentation was made to the Committee by MTV setting out plans for a nation-wide multilingual television service to be carried by satellite. MTV has an agreement with CSN (6.9.3) to provide 66 hours' programming a week in minority languages (including a small amount in native languages) as a component of the proposed CSN experimental Phase II, which would last six months. In CSN Phase III, the service would be expanded, with supplementary production centers in major cities. The federal government is committed to a policy of multiculturalism, in which, if it is to be effective, communications must play an essential part. The public purse is to be relied on for broadcasting in English, French, and the native languages, but there are perhaps some millions of Canadians who habitually use a wide variety of their ancestral languages in home and community life. MTV is thus undertaking to contribute, by arrangement with CSN, to the provision of television services that will help to preserve inherited minority cultures wherever they are to be found in Canada.

7.3.4 Programming for Children

Some of the proposals for the extension of services by means of satellite include provi-

- 52 sion for the inclusion, or addition, of programming for children, sometimes as an optional service against a modest subscription. The hours during the week in which children may normally be watching television in well-regulated households suggest that special programming for children might share a satellite channel with services addressed primarily to the peak-time audience.

To Pay or Not to Pay

8.1 Background

The history of earlier approaches to the possible introduction of pay-TV in Canada was related at some length in the "Report on Pay-Television" published by the CRTC in March 1978. Only the salient incidents need be briefly mentioned here.

The CRTC issued its first public statement on pay-TV in October 1972, which invited interested parties to participate in an examination of the issues involved. Several proposals were made in the course of 1973, but the Commission concluded that none contributed significantly to the furtherance of the objectives set out in the Broadcasting Act. A CRTC position paper published in February 1975 was followed by a public hearing in June of that year, at which 40 briefs were considered, and a policy statement was published in December 1975. That statement expressed the Commission's opinion that the introduction of pay-TV at that time would have a disrupting effect on the broadcasting system, then in the throes of adapting to new policies, regulations, and licensing initiatives. The CRTC indicated that, nonetheless, it was prepared to consider pay-TV proposals on a case-by-case basis, and encouraged the development of ideas on pay-TV that would be consonant with national broadcasting objectives.

In June 1976, the federal Minister of Communications and the Chairman of the CRTC issued statements inviting a reconsideration of a possible Canadian pay-TV service. Both placed strong emphasis on the principles embodied in the Broadcasting Act as the governing factor in considering the benefits to the domestic program-production industry and the impact on the existing broadcasting system. In the same month, the CRTC formally called for submissions on the form and function of an organization to assemble, produce, and acquire pay-TV programming for distribution to licensed broadcasting undertakings. An analysis of the 105 submissions received showed that few had responded to the requisite fundamental principles; the Commis-

sion accordingly asked for an updating of the submissions and called a public hearing on 13 June 1977 to consider them. By that time, 181 submissions had been received, and 26 major representative organizations and individuals appeared at the hearing. A majority of submissions in which an opinion was expressed indicated strong opposition to the introduction of pay-TV in Canada at that time; the opponents included representatives of the public and private broadcasters, as well as the public-interest groups, who argued that pay-TV would not contribute to furtherance of the objectives of the Broadcasting Act. The principal proponents were representatives of the cable industry, who pointed to the significant benefits to the Canadian program-production industry that were to be expected.

Before coming to a decision, the CRTC conducted a national survey to ascertain public knowledge of the factors involved in the possible introduction of pay-TV, and public attitudes to pay-TV in general. The survey also sought to evaluate the demand for pay-TV, if it were to be introduced, in relation to particular methods of exhibition and cost. The survey was based on responses from 2,289 individuals, about half of whom were living in households capable of receiving cable TV service. The results indicated that pay-TV was not considered essential, and that there was no compelling demand for it, even among cable subscribers.

The conclusion of the Commission, based on its analysis of the submissions received, and of the public survey, was that it could not then recommend the introduction of pay-TV, and that the pressures in favor of it should be resisted. Nevertheless, in response to the widespread opinion that pay-TV in Canada was inevitable, further consideration was given to the principles applicable to any Canadian pay-TV system. In its 1978 "Report on Pay-Television" (Chapter VII, pp. 37-54), the Commission presented its views on the objectives to be followed and its preference for a single national network operated by a private rather than a public agency, subject to regulation by the CRTC on such matters as Canadian content, protection against siphoning (the diver-

54 sion of programming now viewed free to the pay-TV system), and the allocation of revenues. Local delivery could be effected off-air, by cable or MATV systems, by multi-point microwave distribution systems, or by any combination of them. As a conclusion to this analytical projection, the CRTC reiterated its view that the introduction of pay-TV would be premature. The Commission published three working papers describing possible models for a pay-TV system, prepared by its staff, noting that it did not necessarily subscribe to the views expressed.

In March 1979 the Consultative Committee on the Implications of Telecommunications for Canadian Sovereignty (the Clyne Committee) published its report, Telecommunications and Canada. In a very short chapter 8 on pay-TV, that committee said: "We have heard no evidence that there is at present any substantial demand for the introduction of pay-TV. There is thus no need for hasty action, but we believe that the demand will grow and that it would be wise to establish a strategic policy for its eventual introduction." In addition to expressing its preference for a pay-per-program rather than a pay-per-channel system, the Committee recommended that "pay-television should be provided by licensed Canadian-owned program undertakings; attention should be given to the elaboration of Canadian-content rules appropriate for pay-TV; and there should be a levy on profits from pay-TV, to be used for Canadian programming, with the amount to be determined by the CRTC."

Little has changed in the general circumstances discussed in the 1978 "Report on Pay-Television" except for the phenomenal spread and success of pay-TV in the US. This example is used by proponents of a Canadian pay-TV system as evidence that there would be a market in Canada proportionately as large as that in the US. Opponents, on the other hand, mostly regard the American experience as more or less irrelevant to Canada, where the much deeper penetration of cable systems provides, for their subscribers, a variety of programming choice rarely available in the US. The balance between these two

views is reflected in differing estimates of the size of the potential Canadian market, and of the likely willingness of Canadians to pay any money at all for optional television services.

8.2 Objectives and Guidelines for Pay-Television

A federal-provincial conference of communications ministers in October 1979 led, inter alia, to a consensus on a statement of objectives and guidelines for pay-TV in Canada (Appendix D). Emphasis was placed on the objective that pay-TV should satisfy public demands for high-quality and complementary programming, and ensure benefits to Canadian program production and distribution. The guidelines propose that "the introduction of pay-television should initially be through the vehicle of one national distributor but should also permit regional and local pay-television distributors to acquire programs and market them to local exhibitors," and that "the delivery of pay-television to the viewer would be undertaken by a licensed local exhibitor." To ensure the availability of pay-TV services at equitable rates throughout Canada, satellite carriage should be the preferred method for national delivery. Further, "a realistic balance must be established between the audience viewing levels for Canadian and foreign product material," and "programs available via the present Canadian broadcasting system and in Canadian cinemas should not be siphoned onto a pay-television service."

8.3 Opinions Expressed by Some Provincial Governments

8.3.1 Ontario

For more than five years, the government of Ontario has believed that pay-TV would offer significant benefits to consumers and to the

Canadian program-production industry. A poll of Ontario residents in November 1978 indicated that 40 percent of the respondents were willing to pay for television programming that included first-run movies, sports events, theater productions, symphonies, operas and ballets, and other entertainment not normally seen on television. Some 38 percent of the respondents to the poll would be interested in television programs offering credit courses, teaching specific skills, or aiding 'self-improvement'. Ontario therefore prefers a wider definition of pay-TV that would include informational, educational, and entertainment programming for specialized audiences.

Ontario supports the proposed objectives and guidelines, and believes that, if pay-TV is to lead to maximum benefits, it must develop as a complement to and not as a substitute for existing services. High priority should be given to consumer interests and, by guaranteeing access to distribution systems and audiences for Canadian programming, provide significant benefits to the domestic program-production and cultural industries. In so doing, pay-TV would open up new markets affording new sources of revenue and pools of investment funds.

The Ontario government argues that central control of pay-TV by "a sheltered and bureaucratic monopoly" would tend to exclude small-scale Canadian entrepreneurs, whereas competition would provide the strong incentives to produce high-quality Canadian programs that are essential if pay-TV is to be a success. The market test of acceptance would be conducive to high-quality production, and a pay-per-program system would therefore be preferable to a pay-per-channel system.

Ontario recommends that pay-TV should be introduced as soon as possible on the basis of the objectives and guidelines proposed by a consensus of federal and provincial ministers; and revenues from pay-TV (and other premium services) should not be used to subsidize hardware and exhibition, but should be devoted, to the maximum possible extent, to finance and acquire Canadian programs.

8.3.2 Nova Scotia

The government of Nova Scotia observes that there appears to be no public demand for pay-TV in the province, and recommends that Canadian broadcasters should be reasonably protected against the detrimental effects of pay-TV if it is introduced.

8.3.3 Prince Edward Island

The government of Prince Edward Island suggests that there is no present demand for pay-TV in the province but that one is likely to develop once it becomes a general offering elsewhere. The provincial government would not support the introduction of pay-TV in the absence of "an ironclad commitment" to provide the whole of Canada with satellite services at equitable rates.

8.3.4 British Columbia

The government of British Columbia does not support the proposed objectives and guidelines, and takes the position that "there is neither a necessary nor an implicit linkage between satellite distribution and pay-television." The BC government consequently alleges that consideration of pay-TV by the CRTC is "unwarranted" in a provincial context.

8.3.5 Manitoba

The government of Manitoba supports the proposed objectives and guidelines, and the introduction of pay-TV, but recommends accommodation for regional pay-TV systems.

8.3.6 Saskatchewan

The government of Saskatchewan endorses the proposed objectives and guidelines, and recommends that:

- . Local exhibition and sale of pay-TV should be licensed by provincial governments to a variety of classes of applicant.
- . Provincial authorities should have overall responsibility for programming standards and classification.

- 56 . National pay-TV networks fed by satellites should be licensed and supervised by the federal government; ownership and control of the distribution networks should be diffuse, with representation of programming interests and the public sector.
- . Affiliation or access to the national or regional networks should be open to any licensed local exhibitor; affiliation conditions should be non-discriminatory and approved by the regulatory authorities involved.
- . Licensees of local pay-TV distribution should afford access to all potential exhibitors of programming on reasonable terms and conditions; federally regulated cable undertakings should set forth clear terms and conditions for the use of their channels for pay-TV.
- . Canadian program producers must have significant access to the pay-TV networks and audiences, and must share substantially in forthcoming revenues.

8.4 Definitions

8.4.1 The Ambiguity of Terms

In much that has been written and said about pay-TV, including the objectives and guidelines outlined above, there is ambiguous use of certain words, such as distribution and delivery, used almost interchangeably. It is also apparent that pay-TV means different things to different people. We must therefore try to establish distinctions leading to precise definitions which we shall use in the following discussion.

8.4.2 Functional Distinctions

There are two distinct functional links in the chain between the producer of a program and the viewer: distribution and exhibition. Distributors (or program-packagers) acquire or produce programs and package them for sale or delivery; all broadcasters (broadcasting transmitting undertakings) are distributors in this sense, as are broadcast networks. Exhibi-

tors are undertakings effecting local delivery, either off-air or by cable; all broadcasters and existing cable operators (but not networks) are exhibitors.

8.4.3 Methods of Paying for Television

All broadcasting services must be paid for, either by public subsidy or from commercial revenue, but they are generally regarded as free because no direct payment falls on the consumer. Here we confine our attention to television services for which the consumer must make a direct payment. Today, more than half the television households in Canada are indulging in a form of pay-TV, in that they pay for cable service. Many of the proposals we have received make provision for optional cable channels, for which an additional fee would be paid; some of these come from organizations rigorously opposed to pay-TV as they see it: a diabolical mechanism for making a vast profit by flooding the Canadian market with still more US films and entertainment programs. There is, of course, no intention of allowing entrepreneurs to do any such thing. There are arguments to be made in favor of pay-TV (which might aptly be termed home-theater), as distinct from other optional services, in particular with regard to the benefits that might accrue to Canadian producers. We therefore make the following distinctions in discussing the methods of direct payment by the consumer for different services:

. Subscription services (Level 1): the channels generally available to subscribers to cable and other local delivery systems, as authorized by the CRTC.

. Optional services possibly sharing a channel (Level 2): available for a modest additional fee, for example those delivering programs for special-interest audiences (vertical or target programming), or entertainment services not generally provided by broadcasters, and perhaps multilingual programming.

. Pay services (Level 3): optional additional channels, available on more substantial payment, either per channel or per program, for high-quality mass-appeal entertainment from all sources, and special events.

Closed-circuit Level 3 pay-TV is already available in hotels in large Canadian cities, and pay-TV services are available in Saskatchewan.

Before proceeding, we must recall that subscription rates for cable service are higher in northern and remote areas than in large urban centers, and that there are many people in the underserved areas who have expressed or demonstrated their willingness to pay for services that are provided free elsewhere in Canada, or even for any television service at all.

If the concept of optional services, available for an additional monthly fee, is to be implemented, consideration will have to be given to the practicability of introducing differential rates for the services offered by local delivery systems. There seems to be general agreement that no great technical difficulties would be encountered, and most of the proposals for cable operators favor what has come to be called tiered pricing. Piracy of optional services would be prevented by scrambling the delivery signal or by the use of electronic traps to prevent it being received. Presentations to the Committee indicated that the technology for both systems has already been fully developed.

A tiered pricing tariff would comprise at least three levels of subscription for local delivery of signals received off air, from a satellite, or by direct feed without the use of the RF spectrum, for example:

Level 1: the normal subscription rate for whatever channels may be authorized by the CRTC (a service that must remain attractive to those who do not want to subscribe to optional services).

Level 2: an additional, probably fairly modest, rate for delivery of optional special-audience or target programming.

Level 3: a higher additional optional fee for delivery of costly mass-appeal entertainment, first-run movies, specials produced by independent entrepreneurs, and sports and other events not pre-empted by broadcasters.

8.5 The Two Sides of the Coin

Most broadcasters are opposed to the introduction of pay-TV, fearing further audience fragmentation and loss of revenue, and stress the need, should it be introduced, for effective protection against siphoning. There is no particular reason, technical or other, why broadcasters and other entrepreneurs should not be allowed to compete with the local cable companies for a licence to deliver pay-TV services. We have already made a recommendation (23) on a method of dealing with objections to the introduction of new services, including pay-TV, that might cause loss of revenue through audience fragmentation.

The Association of Television Producers and Directors (ATPD) expressed the view that it would be premature to introduce pay-TV in the absence of a national communications policy. ATPD believes that, as a matter of urgency, the structure of communications using new technologies should be dealt with as a whole and not piecemeal. Many consumer groups are opposed to pay-TV (at Level 3) but, like ATPD and other opponents, they hedge their bets by proposing structures for pay-TV, if introduced, that include provision for what they call premium (Level 2) services. Much has been said about the great benefits that would flow from pay-TV, in one way or another, to the Canadian-program-production industry, and it is therefore rather surprising to find the vociferous objections of the JAC endorsed by member organizations representing francophone and anglophone filmmakers, directors, performers, and technicians. Opposition from these particular groups must be given close attention in coming to any decision on pay-TV.

Two members of the JAC opposed to the introduction of pay-TV are the Union des artistes and ACTRA. The former, representing a large group of francophone creators and communicators, would never agree to allowing pay-TV to become a privileged medium for the exhibition of foreign TV programs, at

least until typically Canadian programming is also being delivered; protection must be provided for Canadian artists and technicians, and a minimum 70 percent of Canadian content in pay-TV programming is called for. ACTRA, a professional association of more than 6,000 writers and performers working in radio, television, films, commercials, and the recorded media, is opposed to any form of pay-TV that is not publicly controlled; is dependent on US programming; does not generate substantial funds for the Canadian (public and private) program-production industry; and does not contain a major proportion of high-quality Canadian entertainment programs, including feature films.

Very strong opposition has been expressed in the presentation of the Motion Picture Theatre Associations of Canada (MPTAC), which recommends that, if there is to be pay-TV in Canada, no film should be shown before it has completed its theatrical distribution. MPTAC contends that:

- . Theater owners in small towns or rural areas must be given the opportunity to participate in the operation of pay-TV in their areas.

- . The establishment of a single national procurement agency for pay-TV would be unfair to exhibitors and might contravene the Competition Act.

- . Pay-TV should not be introduced until pay-per-program technology is available.

- . The introduction of pay-TV in any area should be subject to local option.

The chief proponents of pay-TV are some provincial governments, some cable operators, and some independent entrepreneurs and would-be distributors. Strong arguments are made by them, chiefly in regard to the benefits that would flow to the Canadian program-production industry.

8.6 Conclusions and Recommendations

Most of the members of the Committee have come to believe, during the course of this inquiry, that pay-TV would offer a new and

unique opportunity to foster the beneficial development of the Canadian film and program-production industries while supporting and complementing the Canadian broadcasting system and catering to the needs of Canadian viewers, but this majority opinion is not unanimous.

A contrary opinion is that no significant benefits would accrue to the broadcasting system, and that there is little real consumer demand for pay-TV. Further, it is said, there would be no way to ensure that any profits remained within the broadcasting system; moreover, there is no precedent to be found in any Canadian industry for the imposition of levies, such as those that might be raised from cable operators to provide subsidies for the program-production industry. Lastly, it is suggested, the inevitable preponderance of US mass-appeal programs at least in the initial phase would present yet another threat to Canadian cultural sovereignty; in short the likelihood is that new technology would be exploited to provide a pipeline for still more US programming to be thrust before Canadian viewers. The majority of members recognize the concerns expressed in these arguments, particularly the last, but believe that the difficulties foreseen in ensuring effective safeguards against abuse of a pay-TV system, or in devising the administrative machinery necessary to ensure effective control in the public interest, are not insurmountable, given a readiness to accept licensing and regulatory innovations for which there may be no precedents. Pay-TV, in addition to broadening the choice of programming for viewers, might be of very substantial benefit to the broadcasting system, to program producers, to the Canadian entertainment industry, and to the Canadian electronics-manufacturing industry.

Program producers would benefit from the existence of a larger market, and perhaps from new financing to be made available from the profits of pay-TV undertakings. Independent producers would be afforded a shop-window for their programs, which would lead broadcasters to commission programs instead of producing them themselves, abandoning their reluctance to invest risk-capital in

independent production. The entertainment industry would benefit in several ways. There would be more work for performers, script-writers, musicians, directors, and technicians. In addition, the exposure of Canadian performing-arts companies on nation-wide television would help them meet their heavy production expenses and thus reduce budget deficits where they exist. Lucrative new opportunities in a Canadian pay-TV industry would serve to reduce the talent-drain to the US which has been going on for many years. Lastly, the inauguration of a pay-TV system would create a large demand for scrambling and descrambling equipment, or electronic traps. A requirement that all these should be manufactured wholly or largely in Canada would provide welcome benefits to the electronic-production industry, which faces heavy competition from abroad.

The consensus opinion of a majority of members is that the introduction of pay-TV offers an opportunity to secure benefits to Canadian producers and artists, viewers, and manufacturers that should not be missed, while broadening the choice of available programming. The prerequisites are that optional services must contribute positively and significantly to broadcasting in Canada, making effective use of Canadian resources; and that a significant proportion of the revenues must flow to the domestic program-production industry. The following recommendation is supported by a majority of the Committee.

Recommendation 28 Approval should be given for the introduction of pay-television and other optional services in Canada and of mechanisms for a system of differential pricing for local delivery, on condition that these new services make a significant and positive contribution to broadcasting in Canada, make effective use of Canadian resources, and that a significant amount of the revenues flow to the Canadian program-production industry.

On the evidence and estimates presented, it would appear that there is likely to be a substantial demand for pay-TV, once it is introduced, but penetration on the scale being

reached in the US is not to be expected. The actual penetration achieved may be less profitable than has been estimated but should be on a scale that would be of benefit to Canadian program production. On the other hand, there is no evidence of widespread, or any, forceful public demand at the moment, although that is likely to develop as pay-TV services become available. The only people who demand instant introduction of pay-TV are those who expect to make profits out of it. The CRTC will be inordinately busy in the months to come with hearings on licence applications for extension of services. The Committee has recommended (5) that the extension of services in general should not have to rely upon pay-TV for any purpose whatsoever. A breathing space would be desirable, in which to work out the framework of a pay-TV system that would fulfil the prerequisite objectives and comply with existing federal and provincial legislation. The conclusion is that first priority should be given by the CRTC to public hearings on the extension of services.

Recommendation 29 The CRTC should give absolute precedence to public hearings and licensing actions on the extension of services, separate hearings on pay-television being deferred until later.

The Committee is unanimous in its conviction that the chief justification for introducing pay-TV into Canada must lie in the opportunity it would afford as a stimulus to the program-production industry and the provision of new services. Before proceeding to a discussion of possible pay-TV systems, therefore, it is necessary to examine the structure of that industry, the obstacles to its growth in the past, and the action to be taken to foster a greatly increased volume of Canadian production.

The Canadian Program-production Industry

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9.1 Background

9.1.1 The Film Industry

Many Canadian films have been internationally acclaimed for their high quality, winning awards all over the world. The NFB has achieved a leading international reputation, particularly for its documentaries, shorts, and animated movies, as well as for many of its feature films in both French and English. The successes of several independent film makers have also been noteworthy over the years. The Canadian Film Development Corporation has been reasonably successful in expanding private feature-film production by means of a program of investments, loans, and bridge-financing. Among provincial agencies, L'Institut Québécois du cinéma has achieved noteworthy successes. Some provinces have been assisting independent film makers, financially or with apprenticeship training programs. The Canada Council makes grants to film cooperatives and producers of experimental films.

For many years, there was no market for Canadian films (and consequently little production) because the distribution system in Canada was tied to British and US studio interests, a condition that still continues to some extent. Another obstacle to growth, some independent film makers charge, has been the relatively small amount of production commissioned from the private sector by the NFB, the CBC, and private broadcasters. But federal tax incentives and co-production agreements have detonated a creative explosion which has increased Canadian film-production tenfold in three years, and afforded continuous employment for many hundreds of Canadian producers, directors, script writers, performers, musicians, and technicians.

But there are critical voices being raised. The JAC, on which the Canadian Council of Film Makers is represented, charges that most of the so-called Canadian films now being made are not recognizably Canadian; that their directors and script writers have too often been foreigners; that

Canadian performers are almost always relegated to supporting parts; that some international co-production agreements are being abused; and that, because of the absence of complementary distribution incentives, the creative explosion has not been matched by any real growth in the exhibition of Canadian films, either in Canada or abroad. It is charged, as the heaviest burst in this fusillade, that the 100 percent capital cost allowance has led, through imprecise definition of what is accepted as Canadian and through faulty conditions of eligibility, to the production of far too many shoddy films and far too few of high enough quality to attract international or even domestic audiences.

The Committee has given careful attention to these criticisms, but thinks that some of the alleged defects have been exaggerated and may be remediable. Every scheme of this kind has its teething troubles; this one may perhaps have got out of hand, but the remedy lies not in killing it but in bringing it to heel. For these reasons, the Committee is not inclined to discount the potential merits of tax-incentives as a means of fostering the expansion of the television program production industry in Canada.

9.1.2 The Television Program-production Industry

Canadian broadcasting policy and the creation of the CBC have together ensured that the distribution of television programming in Canada would, unlike that of Canadian films, remain in Canadian hands. But Canada was at a disadvantage in gearing itself to the introduction of television. In the US, and to a lesser but substantial extent in many other countries, there was a powerful and well developed film industry on which to draw for artistic, technological, and managerial knowledge and experience. In Canada, there was no significant feature-film industry, and everything had to be done from scratch. The CBC rapidly developed its own video production, and later the private sector established a few vertically integrated production firms.

In the US, the television networks

rely for all their entertainment programming on independent production firms. In Canada the fairly rigid in-house policies of the broadcasters inhibited, almost prohibited, the growth of a domestic independent program production industry. Nobody can deny that many TV programs of the highest quality have been made in Canada and attracted large audiences, but it is the absence of a strong domestic independent industry that has been a major factor in the inability of broadcasters to meet Canadian-content quotas with sufficiently attractive entertainment programming. And the absence of a strong independent industry is partly due to unwillingness to invest in the production of high-quality programs in the absence of appropriate incentives. And all this has contributed to the preponderance of US programs viewed by Canadians in prime time, because broadcasters generally tend to import popular entertainment programs and try to meet their Canadian-content quota by producing news, information, and sports programs, often falling back on inexpensive game-shows to fill the rest of the allotted hours.

Another obstacle to Canadian program production is that foreign entertainment programs can be acquired for a fraction of the cost of producing competitive Canadian material. The rights to a popular US program that may have cost half a million dollars or more to produce can often be acquired for a few thousand dollars; the mass appeal of the entertainment provided ensures strong advertiser support.

The Canadian broadcaster is thus faced with a dilemma: to produce a program of competitive quality costs a great deal more than acquiring an American one, and it is almost certain, in the present climate of mass-audience advertising, to attract less commercial revenue. The best way to deal with a dilemma, it has been said, is to seize it by the horns and shake it till its teeth rattle, and the best way to rattle the teeth of this particular dilemma is to provide new sources of funds and new incentives for Canadian program production.

There is abundant evidence that, by

foreign standards, Canadian television has always been underfinanced, in both the public and private sectors. The NFB, in its presentation to the Committee, cited some revealing figures from a British study,⁽⁹⁾ indicating that the level of public financing of the bilingual CBC broadcasting operations is substantially lower, on a population per capita basis, than that in some European countries for a national service in only one language.

Broadcasting in the private sector is entirely financed from commercial revenues and figures lifted from the same British report reveal one of the costly disadvantages of sitting in the lap of a country that produces and broadcasts a greater volume of television programming than any other, much of which can be directly received in Canada with its associated advertising. A comparison of per capita television revenue (in equivalent 1977 Canadian dollars) from advertising estimates it at \$45 for Australia, very close to the figure of \$46 in the US. The figure for Canada, at \$18.60, is less than half either of those. Thus the Canadian private sector, faced with the dilemma discussed above, is under ineluctable pressure to fill its schedules at the least possible cost.

The Committee does not have detailed information about the respective allocations of the budgets of the private broadcasters as between acquisition and production of programs. Nonetheless, the disparity in cost means that, for a given amount of money, more hours of US entertainment than Canadian can be acquired.

Someone has said that the real business of a private broadcaster is not to sell programs to audiences but to sell audiences to advertisers. The higher the attractiveness of a program, the bigger the audience, and the bigger the audience, the greater the commercial revenue.

Thus the salvation for the Canadian private broadcaster may lie in realistic Canadian-content quotas requiring the exhibition of higher-quality or more competitive Canadian programs. In this, as in many other fields, it is easy to propose the big idea; figuring out the details may be more difficult.

9.2 The Future

9.2.1 The Need for Development

The boundary between the film and program-production industries has recently become less distinct, for films are increasingly being made especially for television, and television is increasingly dependent on films originally made for theater exhibition to help satisfy the voracious public appetite all over the world for seemingly endless entertainment in the home. It is almost universally agreed that there is an urgent need to foster the growth of a strong independent production industry in Canada. The need can be amply justified in industrial terms. Employment opportunities can be greatly enlarged for all the creative and other skills that are involved, and employment in associated or supporting industries would result indirectly from such growth. There is a vast international market for high-quality films and television programs which Canada has so far barely touched, let alone tapped, affording the opportunity to raise foreign currency that would partly offset the cost of acquiring foreign programs. In short, we have the talent, we have the capacity, but we have not provided effective incentives. The evidence of chronic underfinancing cited above (9.1.2) throws a grim light on what has been wrong in the past; there can be no argument about what should be done in the future. A powerful shot in the arm is urgently required.

9.2.2 Financing Program Production

Throughout all the argument about the possible introduction of pay-TV in Canada, and in criticisms of the cable industry, there runs the thread of finding a 'cash-cow' to nurture the program production industry. But there are contentious differences in approaches to how to do the milking. For some years now there have been demands that the cable operators should be subjected to levies on their profits; there are few clear ideas about how the money collected should be distributed, or by whom.

Now we have a similar situation in regard to pay-TV. Some who are strongly opposed to the introduction of pay-TV argue that the only acceptable justification would be a new source of funds for program production; in some cases, this view has led to proposals from the private sector and consumer groups for an elaborate management body with wide monopolistic power. We shall revert to the organizational issues in chapter 11, but first we must look at the widespread idea that pay-TV will produce excess profits which could be levied and distributed, somehow, for the benefit of program producers. To take one example of those who hold that opinion, the JAC stipulates that the prerequisite for the introduction of pay-TV, to which it is "unequivocally opposed," would be an assurance that the maximum possible percentage of gross revenues be made available for Canadian program production, the public and private sectors having equitable access to the funds generated.

There is a practical aspect that is often overlooked. It is that, given a Canadian-content requirement, any additional television services, not just pay-TV or premium services, will provide a wider market for Canadian producers. Those who are successful will reap the benefits from sales in Canada and abroad, and no higher incentive could be found for an assurance of quality that will attract audiences. And high-quality entertainment produced in Canada would be the strongest way of competing with US entertainment for Canadian audiences. There are ways in which this growth can be fostered without resort to levies on this or that sector of the broadcasting industry (which must in the end be paid by the consumer, a form of selective taxation). The NFB points out that an increasingly important element of public subsidy for television production is the capital cost allowance for the film industry, a tax-deferral mechanism that raised about \$160 million in 1979 for the production of feature films that will eventually be sold to the Canadian networks and probably abroad, and another \$12 million for the production of non-feature film/video programs for use by the private sector. It should be noted, however, that such

tax incentives applied to federal taxation would be paid for by all Canadians, not just television viewers.

9.2.3 A Limit to Expectations

The underfinancing of Canadian program production demonstrated by the figures in 9.1.2 does not reflect the whole sad scene. European countries are better able to establish and enforce quotas for foreign programming, but Canadian broadcasters must compete directly for audiences with the great US networks, which spend, in aggregate, about \$4 billion a year on programming alone, that is, seven or eight times as much as the CBC has for the entire operation of national radio and television services in two languages. Now there would be further competition from the US superstations, if they were to be received in Canada, and there will be more of them. It is evident, therefore, that the real cost of establishing competitive Canadian programming for the future must be measured not in tens of millions of dollars (the scale of most of the proposals put to the Committee) but in hundreds of millions of dollars. The simple arithmetic of the respective populations of the US and Canada makes it impossible to expect equivalent financing in absolute amounts. But it also suggests that, with a population only one-tenth of that in the US, a proportionate amount of financing, say \$350 to \$500 million, must be found if the Canadian production industry is ever to become effectively competitive.

9.2.4 Rights in Film and Program Production

In 3.8.2 we referred to what are termed, in relation to copyright, neighboring rights, which generally entitle all or most of the participants in a production to payments every time the program or commercial is broadcast. The Canadian Copyright Act, which came into force in 1924 and has not been substantially amended, does not give adequate protection to the neighboring rights of participants in film and program production, to whom this is an

important concern. It became much more important with the advent of cable systems in Canada, and the resultant confusion over distribution and exhibition rights. Representations to the Committee suggest that the problem would be compounded by pay-TV, particularly if it is carried by satellite. The subject is exceedingly complex, too complex indeed for informed discussion in this report, but the Committee notes from briefs received that this continues to be a source of concern to the artistic community, which will have to be addressed in the development of new copyright legislation.

9.3 Conclusions and Recommendations

The Committee has no doubt whatsoever that Canada has the capacity and the creative talent to produce television programs of the very highest quality, with great potential for sales abroad, as has been demonstrated by the CBC, OECA, and some independent producers. But it is not to be expected that broadcasting schedules will ever be totally filled with high-quality programs, whether of foreign or Canadian provenance. The only realistic objective would be to aim at a much larger volume of Canadian production of high quality, that is to say programs that are irresistible to audiences, than has ever been available in the past. High-quality program production is costly, and the achievement of that objective will require incentives for independent producers. Despite some adverse criticisms of tax incentives and co-production agreements in the film industry, the Committee believes that any faults in the system could be rectified, and that similar arrangements would be beneficial to Canadian television program production.

Recommendation 30 The federal government should consider the introduction of a program of tax and other incentives for the production of television programs in Canada.

New opportunities will be created

64 by the expansion of television services in Canada, whatever their nature, to the benefit of Canadian producers. Some members of the Committee are opposed to the imposition of levies on cable operators, believing they would have to be met in the end by the subscribers, some of whom must rely on local delivery service to be able to receive any television at all. Others thought that a levy might be a desirable way to secure funds from the whole cable TV industry for the support of Canadian program production. A consensus of a majority of members of the Committee was that surcharges on subscription rates for cable and other local delivery systems should not be used as a means to support the Canadian program production industry.

Different considerations apply, however, to pay-TV. It would be entirely optional and in the nature of a luxury available only to those with sufficient disposable income to afford it. The principle of taxing luxury goods and services at higher rates is widely accepted and some members believe that its application to pay-TV would appear to be unexceptionable.

Recommendation 31 Consideration should be given to imposing a flat surcharge on the rates paid for pay-TV services, and to methods of distributing the proceeds to the maximum advantage of the program production industry.

Footnotes

8. Report of the Committee on the Future of Broadcasting (London, England: HMSO, 1977). The report is commonly referred to as the Annan Report, after its chairman, Lord Annan.

Some Proposals for a Pay-Television System in Canada

10.1 **Proposals from Advocates
 of Pay-Television**

10.1.1 **Astral Bellevue Pathé Ltd. (ABP)**

ABP is a Canadian company that has been involved for many years in various aspects of the television and motion-picture industries, including television and feature-film production and marketing, distribution, film processing, and sound and post-production services. ABP believes that the time is right for pay-TV in Canada, and recommends that responsibility for pay-TV programming be entrusted at the outset to a private-sector company experienced in production, distribution, and marketing, which should not be controlled by either cable operators or broadcasters. ABP believes that it has the requisite qualifications for that responsibility. ABP recommends that a percentage of pay-TV revenue be set aside in a fund to be used for a variety of purposes, including scholarships and grants to promising Canadian writers, and subsidies for creative script-writing courses.

10.1.2 **Canadian Cable Television
 Association (CCTA)**

The CCTA believes that pay-TV is an element indispensable to the extension of service to northern and remote communities, and that its introduction can be no longer delayed. CCTA argues that there comes a time when economic protection of Canadian broadcasters becomes an unjustifiable restriction on the potential capacity of the total broadcasting system, for there are other creative energies and new financial resources that could be mobilized to fulfil national broadcasting objectives. CCTA sees in pay-TV an opportunity for the cable industry to cooperate with the broadcasters in providing a service that will contribute to the achievement of those objectives, and puts forward the following principles that should, in its opinion, govern any Canadian pay-TV system:

- There should be a single national agency for

- the procurement and packaging of programming, because the concentration of resources is necessary to ensure a consistent supply of high-quality programs.
- Cable licensees should be proportionately represented in the agency.
- Cable licensees are best placed to deliver pay-TV programming, having facilities to effect delivery at the lowest possible cost to the consumer, as well as the requisite marketing and billing services.
- Pay-TV should be introduced initially as a pay-per-channel service.

10.1.3 **Cable Satellite Network, Inc. (CSN)**

We have already discussed (6.9.3) the CSN proposals for a three-phase extension of subscription and optional services. The third phase would include pay-TV services, for which PTN (below) would pay CSN 50¢ a month per subscriber. The CSN written presentation said that the money received from PTN would be paid into a fund, to be administered by CSN, for "the extension of services." Further information was sought at the public meeting in Ottawa, and it then emerged that the only extension of service the fund would support would be the extension of CSN services, and that its prime purpose was to provide a financial cushion to be used should the scheme be less successful than expected at the subscription rates originally proposed.

It is to be noted that, at the public meeting in Ottawa, the representatives of CSN and PTN appeared together, accompanied by representatives of the CCTA. The written presentations of the three bodies were of an interlocking nature. More on this follows.

10.1.4 **PTN Pay Television Network,
 Inc. (PTN)**

The shareholders of PTN are 125 cable companies; together they serve more than 3.3 million households, or about 80 percent of all subscribers in Canada. PTN, arguing that the introduction of pay-TV should be regarded as a matter of urgency, proposes a single national pay-TV agency to acquire, package, and dis-

66 tribute programming to affiliated local exhibitors (probably mostly cable operators). The ideal partnership for the agency, it is said, would be tripartite participation, in equal proportions, by private broadcasters, independent producers, and licensed cable operators. Shares would be allotted subject to a minimum holding by each of the three sectors, with adjustments in the case of over- or under-commitment by any of the three.

The agency would be a private profit-making corporation to ensure responsiveness to the market, but PTN does not expect that profits would be so large as to be the main reason for participation. Independent producers and broadcasters would benefit from the creation of this purchasing and investment agency, and the CBC might also benefit as a program supplier, while cable operators would benefit from the opportunity to deliver a new and attractive program service. To eliminate possible conflicts of interest among directors of the agency, the selection of programs for support and scheduling would be undertaken by a committee of professional programmers hired for the purpose. The agency would not itself engage in program production directly; programs would be sponsored, funded, or purchased.

The PTN service would be carried by satellite, providing real-time delivery in the Eastern and Pacific time-zones; other parts of the country would be one hour off (one and a half hours in Newfoundland). Each video transmission would be accompanied by English and French audio tracks. The service would be offered to all local exhibitors at the same rate per subscriber, leaving the rate for local delivery to be set by the exhibitor; PTN expects that market pressures would keep the delivery rate at an acceptable level. As has been said above, PTN would pay CSN 50¢ a month per cable subscriber taking the service, the proceeds to be used by CSN at its discretion.

PTN, while dismissing fears that its service would be no more than a vehicle for more foreign programming, points to the sheer magnitude of US resources compared with those of Canada, which inevitably results in

the production of a much larger volume of programs that are attractive to audiences not only in the US and Canada but all over the world. Any Canadian-content requirement must therefore be realistic if pay-TV is to attract subscribers; the Canadian market is unpredictable with any certainty, and the acceptable quota of Canadian content would, in the end, be effectively set directly by the consumer. PTN, recognizing that the quality and quantity of Canadian achievements in the performing arts are out of all proportion to the population of the country, believes that this factor, coupled with the tremendous growth of Canadian feature-film production, would make enough acceptable Canadian programming available to meet a minimum content requirement of 30 percent of broadcasting hours, a level that would have been totally unrealistic even two or three years ago. The quota could be increased when market acceptance of the schedule (including its Canadian content) has been demonstrated by substantial growth in the number of subscribers.

PTN proposes a national pay-TV agency, in which three separate interests would have equal blocks of shares: private broadcasters, independent producers, and licensed cable operators. PTN does not explain how these three groups are to be organized. Now, perfect equilibrium is a rare phenomenon in any field, and perfect equilibrium in the national agency would be achieved only if the three groups actually subscribed according to plan. Failing this, the arrangement for adjustments proposed by PTN would be as follows: in the event of an over-subscription of any or all groups, the shares available would be allocated pro rata to subscription commitments. In the event of under-subscription from any group, the shares freed would be allotted equally to the other groups and sold, again pro rata, to buyers whose original subscription had not been completely satisfied. In the event of under-subscription from both other groups, the cable shareholders would take up whatever shares are made available. PTN has said that the cable industry is prepared, if necessary, to underwrite the whole project for a national pay-TV agency.

10.1.5 CanWest Communications Corporation

CanWest has a 50 percent interest in Global and controls a subsidiary that provides off-air pay-TV service to more than 100,000 US homes. Experience in the US has shown that pay-TV can be marketed successfully either off-air or by cable, and CanWest argues that there can be no justification for allowing the Canadian cable industry to be in effective control of a national pay-TV system. The six million US homes now taking pay-TV services (a number certain to grow substantially in the near future) exceed the level of penetration optimistically expected in Canada, and CanWest is of the opinion that the various models proposed make a number of assumptions that may become invalid in the broadcasting environment of the near future. Further, it is said, pay-TV should not be artificially segregated from the mainstream of Canadian broadcasting; it should not be regarded as another form of broadcasting but as another means of financing all aspects of television; if foreign competition is to be met head-on, all sources of financing must be open to all Canadian program-producers and broadcasters, and regulation must be kept to a minimum.

CanWest strongly recommends consideration of a hybrid and competitive Canadian pay-TV system embodying the following features:

- All broadcasters would be permitted the option of delivering some advertiser-supported programming and, in addition, programming scrambled for reception by pay-TV subscribers.
- Ultimately, a limited amount of advertising might be permitted in pay-TV schedules.
- All cable systems would continue to carry authorized broadcast services.
- Other entrepreneurs should be allowed to provide programming, using any suitable means of transmission.
- Cable systems should be treated as carriers and, ideally, not as program originators.
- To the extent that cable operators are permitted to engage in programming, there must

be no discrimination in access to channels or costs of carriage, and the programming must be subject to the requirements imposed on broadcasters.

CanWest, drawing on experience in the US where there are almost no anti-siphoning rules, contends that no significant damage to viewer-choice has yet occurred, and believes that it will be many years before pay-TV penetration in Canada reaches a level at which siphoning would be even theoretically possible. It accordingly recommends that no anti-siphoning rules be adopted initially, but that the CRTC should be empowered to impose them if, after regular review, they are deemed to be necessary. As regards Canadian content, CanWest suggests that requirements have been incompatible with the real economics of broadcasting and may have been counterproductive. The conclusion drawn by CanWest is that the future of Canadian programming could best be improved by policies affording incentives for program production and full entrepreneurial participation, regardless of the mode of transmission.

10.1.6 Conestoga Satellite Services Ltd.

The Conestoga proposals for a comprehensive satellite broadcasting service (6.9.4) include provision for pay-TV services, defined as offering first-run movies and live sports and other events with mass-audience appeal. In Conestoga's written presentation, projections of market penetration of pay-TV and premium services indicated a break-even point of 960,000 households, but representatives were reluctant to confirm this figure at the public meeting in Ottawa-Hull. Conestoga recommends that a national agency licensed to provide premium services should include participation by program originators and producers, distributors, exhibitors, and other interested investors, so as to ensure support for a developing Canadian program production industry.

10.1.7 A Group of Ontario Cable Operators

Several members of the Ontario Cable Tele-

68 communications Association, Appendix F.2) submitted individual briefs expressing identical views, and were represented at the Ottawa-Hull public meeting by one of their number. Their approach to pay-TV was most fully and aggressively expressed in a brief from Classic Communications Ltd. (Classicomm), of Richmond Hill, Ontario, which makes it clear that the cable industry is not speaking with only one voice on the subject. The group as a whole is opposed to the creation of a pay-TV consortium, and has made the following recommendations:

- . Pay-TV should be launched initially on a simple low-cost scale, so as to attract public interest and support.

- . Maximum flexibility should be given to the pay-TV industry in its early years, taking account of the adverse economic impact on cable operators of satellite transmission, Canadian-content quotas, and transfers of revenue entailing artificially high subscription rates.

- . The film industry should continue to be fostered by tax incentives.

- . The need for a package of Canadian programming to be carried by satellite to northern and remote areas as an alternative to US satellite services is recognized, but should be related to consumer demand without reliance on pay-TV as the motive force.

- . The introduction of pay-TV should not be long delayed, because of the increasing availability of US services and the ability of the cable industry to provide terrestrial service immediately, while satellite capacity may be inadequate for all suggested services for some years to come.

- . Exaggerated predictions of the support that pay-TV might provide for Canadian program production should be discounted.

The Classicomm brief expresses strong opposition to the "now ludicrous proportions" of proposals by the cable industry for the introduction of pay-TV, and to the creation of CSN and PTN to offer "a cornucopia of new services financed largely from pay-TV revenues." In Canada, cable will not be able to maintain the industry's claim to exclusive delivery in the face of competition from off-

air and MATV systems, and from videodiscs and videocassettes. Classicomm, pointing out that well over 70 percent of Ontario cable households could be offered pay-TV service with only minor adjustments to existing microwave connections, submits that microwave pay-TV service should be introduced when cost-benefits to the consumer are demonstrable and the service is desired by the province concerned. Classicomm recommends that:

- . The cable industry should be allowed to compete with other delivery services for pay-TV, using the technology most appropriate to regional and provincial circumstances.

- . Having regard to unknown marketing factors, capital investment, and start-up costs, the pay-TV industry should be allowed to develop in its first three years without artificial constraints.

10.1.8 Independent Producers Committee for Pay Television (IPC)

The five member organizations of the IPC (Appendix F.3) have a total membership of 400, which is said to represent virtually the entire independent program-production industry in Canada. In 1979, they produced films and TV programs valued at \$200 million; the aggregate cost of their productions exceeds that of all government agencies (the CBC and the NFB) and private broadcasters combined. The IPC model for pay-TV in Canada makes clear distinctions between the functions of production, programming (distribution), and delivery (or exhibition). Stress is placed by IPC on the essential need for competition among programmers; therefore delivery systems must make more than one pay-TV service available to their subscribers. IPC makes a strong case against cross-ownership between any two, or all three, of these functional elements of the system. IPC urges the adoption of a pay-per-package system (a concept not necessarily identical with pay-per-channel) because it would afford better opportunity than pay-per-program for the delivery of a wider range of Canadian programs, including experimental and vertical programming aimed

at specialized audiences. A dual Canadian-content requirement is recommended for pay-TV program packages: at least half the expenditure of a programmer on programs should be applied to Canadian productions; and at least half of the original material in any package should be of Canadian origin. Further, at least half the viewing time of any package should be occupied by Canadian content.

10.2 Models Suggested by Opponents of Pay-Television

10.2.1 Canadian Association of Broadcasters (CAB)

The CAB reiterates the concerns of broadcasters about the dangers inherent in pay-TV in the form of audience fragmentation and program siphoning. The CAB believes that a massive disruption of the present television industry could be avoided only if the pay-TV system were effectively controlled by broadcasters. The solution proposed is a two-tier package combining a remote/rural service and a pay-TV service; the latter could be utilized to cross-subsidize the former while meeting other national objectives. CAB accordingly recommends that:

- . Pay-TV should be provided by a central national operator, responsible for the acquisition and scheduling of programming for both the proposed services and for their distribution throughout the country.

- . This operator should be a private profit-oriented organization controlled by the broadcasters, with minority participation by other interests as appropriate, including cable operators and program producers.

- . Although satellite carriage would, in the long run, be the most effective means of distributing pay-TV, it may be necessary to start by using microwave for carriage to urban centers; English-language service could readily be transferred to satellite later on, but microwave may remain the most cost-effective

mode of carriage for French-language pay-TV services. Local licensees would effect delivery by means best suited to the requirements and circumstances of each local market, undertaking to use programming provided by the central body exclusively, with appropriate payment for the services purchased.

- . A separate broadcasting licence should be issued in each market, for which any qualified organization or individual should be free to compete.

- . Where cable is the sole means of delivery, a cable subscriber should not be required to take the regular cable service in order to receive pay-TV service.

- . Any Canadian-content requirement for pay-TV should be phased in over a period of perhaps five years.

- . Anti-siphoning rules should ensure that the public would not be required to pay for regular series programs; popular sports events other than those the broadcasters have chosen not to carry, the broadcasters being guaranteed first refusal; first-run feature films, except during the window between the first theater run and normal television exposure, or after the latter.

However, the Association canadienne de radio et de la télévision de langue française does not see pay-TV as a priority demand in Canada, but believes that, if it is to be introduced, the proposals of the CAB would be the most appropriate, with the reservation that the proposed national agency must not be a two-headed monster; a single agency would be preferred for the acquisition and distribution of programming in both official languages, which should give equal treatment to French-language programming.

10.2.2 Canadian Broadcasting Corporation (CBC)

The CBC is still not convinced that the introduction of pay-TV in Canada is inevitable, and believes that it is unlikely to make a positive contribution to the objectives declared in the Broadcasting Act. The potential for change in the broadcasting system is obvious, given the most highly developed cable infrastructure and some of the most advanced satellite techno-

70 logy in the world, and the threats to the broadcasting system as the prime promulgator and guardian of Canadian identity and cultural distinction are equally obvious. So, if pay-TV is to come to Canada, it must be organized and controlled in such a way as to match the programming provided with the needs and tastes of the consuming public, and that means that pay-TV, as an entertainment service, will have to rely on a lot of US and other foreign programming, at least in the early stages. The first objective, then, must be to make certain that the revenue from pay-TV ensures, in one way or another, the production and exposure of more Canadian films and TV programs.

The CBC says that a Canadian pay-TV service could absorb virtually all Canadian 'features' attractive to a paying audience (but see 10.3.1 below) but would necessarily have to offer a lot of American movies. Competition among separate pay-TV undertakings would result in higher prices for foreign films and programs, and in duplication of exposure. The CBC therefore recommends the creation of two organizations responsible respectively for English- and French-language programming and distribution for pay-TV. Each of these monopoly organizations should, in its own field, be licensed as a broadcasting network, offering affiliation to exhibitors, the latter being allowed to retain enough of the revenue from pay-TV to provide an incentive for aggressive marketing and a reasonable return on investment and operating costs; be the channel for reinvestment of pay-TV revenues in Canadian program production by allocating them to the national networks for the production, commissioning, or procurement of Canadian programs; and allocate five percent of gross revenues to a fund (to be administered by an independent board composed of representatives of interested groups and bodies) for program development and small-scale and experimental production in the private sector.

Each pay-TV organization should be either a federal statutory corporation or a privately incorporated non-profit company. The English-language corporation should be controlled by the CBC and CTV, the French-language corporation by the CBC (Radio-

Canada) and TVA. The boards of directors should comprise persons experienced in television who have an interest in the prevention of siphoning and no inherent or direct conflict of interest with the objectives of the corporation, and might include representatives of producers and exhibitors.

10.2.3 CTV Television Network Ltd.

CTV believes that the only justification for pay-TV in Canada would be its potential for generating funds to support and foster the domestic program-production industry. For that objective to be achieved, pay-TV must be handled, according to CTV, by an exclusive national undertaking for which the CBC, CTV, and TVA should be responsible. Five percent of gross revenue would be paid into a fund, administered by an independent board, to support production by independent producers. Licensed exhibitors would receive a percentage of revenue sufficient to ensure a reasonable rate of return on their capital and operating costs related exclusively to pay-TV delivery, together with a marketing incentive.

10.2.4 Global Television Network

Global considers that pay-TV is not wanted by a majority of Canadians but, recognizing the pressures being exercised by a minority in favor of its introduction, reiterates its proposals for target television, first submitted to the CRTC in October 1976. Target television is, in effect, the provision of premium services of Canadian origin aimed at specialized audiences to whom mass-appeal programs are not the be-all and the end-all. Global, regarding pay-TV as a luxury service, is strongly opposed to expenditure of public funds by a non-profit government agency but would support a pay-TV service controlled by broadcasters. The following conditions are suggested:

- Cable systems authorized to provide one or more pay-TV channels should be permitted to purchase programs only from licensed Canadian broadcasters.
- Minimum Canadian-content levels, in both

expenditure and time, should be established.

- . A minimum expenditure on pay-TV programs should accrue to television stations with a 'B' contour covering part or all of the territory of the cable system delivering the service.

- . No cable operator should be allowed to buy programs for pay-TV from a broadcaster in the same ownership, or to buy more than a fixed maximum percentage of programming from any one licensed broadcaster.

- . CBC programs could be acquired for pay-TV through its licensed affiliates.

- . No new licences would be necessary, so cable operators should be free to offer one pay-TV service or none at all, and networking arrangements should not be restricted. Finally, Global recommends that pay-TV should not be introduced earlier than the fall of 1981, or until at least a full year after all definitive regulations and conditions have been established by the federal government and the CRTC.

10.2.5 Joint Action Committee

The JAC is unequivocally opposed to the introduction of a pay-TV service that would do no more than provide movies and entertainment (Level 3), believing it would prove "to be a fiscal fantasy and a cultural Trojan Horse, which would have a net negative impact on Canadian television." The JAC contends that the potential levels of pay-TV penetration and revenues are being grossly exaggerated, and that insufficient account is being taken of the costs of hardware and of programming in two languages. The JAC advocates the following prerequisites for the introduction of pay-TV:

- . compliance with the principles of the Broadcasting Act;

- . minimum requirements of 50 percent Canadian content and the expenditure of 35 percent of gross revenues on Canadian production;

- . universal access;

- . a non-profit agency to undertake programming and distribution but not production;

- . allocation of the maximum possible percentage of gross revenues to Canadian program production, the public and private sectors

having equitable access to the funds 71 generated;

- . reduction of foreign programming to a minimum;

- . use of consumer dollars, to be allocated to programming rather than to pay-TV hardware.

We have mentioned (6.8.5) the JAC proposal for the extension of service under the aegis of TeleCan, a proposed new Crown corporation. The services to be provided would include two channels carrying premium services in English and French respectively. These premium channels would offer feature films, specials, and early-evening children's programming. The films aired would be of Canadian, US, and other foreign originations in equal proportions. The specials would offer high-quality entertainment, providing a showcase for the best Canadian performers. Content on the premium channels should be 60 to 70 percent Canadian, with a 20 percent ceiling on foreign programs "from any single source."

The proposals of some of the members of the JAC in their individual briefs are not always identical with those of the JAC. The Union des artistes calls for very strict regulation of Canadian content on pay-TV at a level no lower than 70 percent. ACTRA is more specifically opposed to any pay-TV system that is not publicly controlled and does not generate substantial funds for Canadian program production. The Canadian Broadcasting League strays away from the JAC TeleCan proposal and is opposed to the creation of a pay-TV monopoly organization controlled by the private sector; it would be preferable, the League contends, to allow the CBC to operate a pay-TV system, an arrangement more likely to draw revenues into Canadian program production than any other.

10.2.6 TVA Television Network

TVA has reservations about pay-TV, pointing out that in the US, with a population ten times as large as that of Canada, the present level of penetration was preceded by losses of hundreds of millions of dollars. French-language broadcasters are especially vulnerable to audience fragmentation arising from

72 programming that differs from conventional fare and is attractive enough to induce viewers to pay for it. TVA would regard it as deplorable if pay-TV revenues were devoted to any purpose other than the protection and reinforcement of Canadian television, and the management of pay-TV should be undertaken by the CBC/Radio-Canada, TVA, and CTV. French-language pay-TV would have to face initial and continuing problems; most of the subscribers would be in Québec, and the smaller market than for English-language service would entail higher rates of payment. Financing would be hazardous because, to be competitive, the programming would have to be of comparable quality to that in English but the costs of acquisition and dubbing would entail higher costs for the same programs. Protection against siphoning would be essential, and a single non-profit agency should be responsible for programming and distribution of both the English- and French-language services, but not for local delivery. TVA proposes that a percentage of gross revenue from pay-TV be turned over to a separate body concerned with research, program development, and experimental production in the private sector.

10.3 Presentations by Would-be Distributors

10.3.1 Home Box Office, Inc. (HBO)

Satellite delivery of HBO programming in the US began in the fall of 1975, providing a national pay-TV network; the result was a growth from 195,000 to four million subscribers in less than four and a half years. HBO service is available on more than 1,700 US cable systems, which take responsibility for selling the service, and for delivery, maintenance, and billing. The monthly subscription, set by each affiliated cable system, is slightly more than \$8, on average; for this the subscriber can receive about 240 hours of programming a month, including movies, sports events, and occasional special-interest

features. The scheduling aims to show at least one new program every night; repeats on other time-slots afford subscribers a choice of viewing dates and times. The acceptability of pay-TV in smaller communities is demonstrated by the fact that more than half the HBO cable-affiliates serve fewer than 5,000 subscribers (some fewer than 1,000) to basic cable service.

HBO has invested or acquired rights in many Canadian films and some video entertainment specials produced in Canada. Canadian facilities and personnel have occasionally been used for the production of original HBO programs. In 1980, HBO will show more than 200 movies, acquired from many sources, and expects to spend more than \$20 million for entertainment specials. HBO shares the concerns of the government of Canada and the CRTC about unauthorized reception and delivery in Canada of its programs carried by satellite, and stands ready to assist in the rapid establishment of a Canadian pay-TV system.

10.3.2 Lively Arts Market Builders, Inc. (LAMB)

LAMB is a private Canadian company incorporated to create a bridge between the creators of programs and the public, effecting distribution by every means, including television, videodiscs, and videocassettes. LAMB, recognizing that audiences for Canadian television programs could be increased significantly only by delivery of material of the highest quality, has been established and financed to facilitate such production and distribution as a pay-TV or premium service. The proposal is that a channel, to be known as C-channel, should be allocated to the distribution of programs financed or sponsored by LAMB. C-channel would operate nationally in prime time, three to four hours a night, seven days a week. Early estimates call for first-year programming expenditure of about \$10 million, of which \$8 million would go to funding new Canadian production and the rest to program purchase; a lucrative worldwide market for these products is foreseen. The first-year budget is estimated at a total of \$12 million,

including administration, promotion, satellite rental, development for the lively arts, and profit. The LAMB proposal is based on the belief that there is a large potential audience for performances by the best of Candian performing-arts organizations, a view supported by some evidence. It was estimated, for instance, that the audience for the early 1980 TV production of "La fille mal gardée" by the National Ballet of Canada was about 1.3 million. C-channel would thus provide an attractive alternative to CBC programming.

10.3.3 Northstar Home Theatre, Inc.

Northstar Home Theatre is a newly formed company sponsored by All-View Network One, Inc. (6.9.1), and is interested in providing new programming services, including pay-TV, to uncabled homes, and particularly the estimated 1.6 million that are beyond the reach of cable systems. Northstar assumes that when Anik C-1 comes into operation, "hundreds of thousands of satellite receiving terminals may be installed in Canada." On the further assumption that there will be a national distribution organization and regional or local franchises, Northstar foresees the emergence of a new satellite-to-home industry, in which it would like to participate as the national agency. This new industry should be created to handle the marketing, installation, maintenance, and collection functions related to satellite-to-home services and receiving equipment.

10.3.4 Showtime Entertainment, Inc.

Showtime is the second largest (after HBO) and fastest growing pay-TV service in the US. It is estimated that there are now six million pay-TV subscribers in the US, producing revenues of some \$650 million a year. Of these, some 600,000 subscribe to the Showtime service, which offers about 20 attractions a month, including 15 to 17 feature films, three to five made-for-pay-TV programs, and some award-winning shorts. The monthly subscription system permits a degree of creativity and specialization that would not be possible for

commercial broadcasters in a pay-per-program service. The present Showtime schedule is soon to be increased from nine to 12 hours Monday to Friday, and from 12 to 14 hours on weekends and holidays. Revenues for 1980 are projected at \$50 to \$60 million, enabling Showtime to spend \$10 to \$15 million on its own programming of some 80 original specials and series-episodes; these figures are expected to double within the next 12 to 18 months.

Showtime is the primary supplier of programming to Teletheatre, a subsidiary of Cablecom Corporation, which offers pay-TV service in Saskatchewan. The schedule includes about 15 features a month, along with shorts and trailer-tapes for local continuity-editing. Experience in Saskatchewan would enable Showtime to adapt its programming service to present and future Canadian communications systems. A national pay-TV system in Canada would create a new shop-window for Canadian producers, and their programs could be distributed not only in Canada but also in the US. Showtime would thus be able to share in the production costs of feature films made in Canada for distribution and exhibition in both countries. In the US, films are generally shown on pay-TV after their theater run. Television networks and local broadcasters usually follow the pay-TV showing. Canadian producers could thus benefit from enhanced opportunity to market programs popular with pay-TV audiences to television networks and local broadcasters.

The Organization and Administration of Pay-Television in Canada

74 The pay-TV guidelines (Appendix D) propose that pay-TV should initially be introduced "through the vehicle of one national distributor but should also permit regional and local pay-television distributors to acquire programs and market them to local exhibitors." The meaning, it must be said, is far from crystal-clear and has resulted in presentations of which few leave room for local and regional distributors. Some have gone so far as to propose that a central agency should hold a monopoly right to buy foreign programs, which it would then sell, presumably to the highest bidders among the broadcasters and pay-TV exhibitors. In other respects, all the models presented for a single national pay-TV agency (or two separate ones for French- and English-language programming) would have powers that would not, in the opinion of a majority of members, be to the best interest of the Canadian public. It seems improbable that any single national pay-TV agency could effectively balance the respective needs for pay-TV in English and French. It is believed that more flexible arrangements, discussed below, would be more responsive to viewer choice and could be effectively regulated in the public interest, while affording the opportunity to producers to market their programs as freely as possible.

Recommendation 32 A Canadian pay-television system should not be entrusted to a single national agency.

Federal jurisdiction over broadcasting is a by-product of jurisdiction over radio communication. It is the fact that cable systems (broadcasting receiving undertakings) rely on receiving antennas to pick up broadcast signals off-air that subjects them to federal jurisdiction. A widely held legal opinion is that a system delivering information or video-programs and films without making use of radiocommunication is not subject to federal legislative authority, and therefore not in need of a broadcasting licence or subject to regulation by the CRTC. It is perfectly feasible, as has been shown in Saskatchewan, to feed films, videotapes of sporting and other popular events, or programs recorded on

video cassettes directly into a close-circuit coaxial cable owned by the carrier for local delivery in return for subscriptions. Closed-circuit television of this kind would not be amenable to federal regulations, such as Canadian-content requirements. Legislative authority over communications has long been high on the agenda for constitutional reform, and it would be unwise to predict the outcome of the current discussions and negotiations in that regard, as in any other. In short, there is no telling where jurisdiction over pay-TV, if it were introduced, would end up.

Recommendation 33 Arrangements for a Canadian pay-television system must be flexible enough to accommodate both federal and provincial legislative authority in the operations to which they may apply.

It is universally accepted that pay-TV services must be available in both official languages, but this prescription should not be exclusive. Among the optional services that might find profitable markets, multilingual programming would probably be a front contender, and the opportunity should not be precluded.

The Broadcasting Act makes no provision for the licensing of program distributors (other than networks, and broadcasters as compilers of programming schedules). Several presentations have come from organizations seeking to acquire and package programs for sale to local delivery systems (10.3) and on the international market. The most effective point at which to apply Canadian-content and anti-siphoning rules is the program package. Cable and other local delivery systems could then be authorized to purchase programming only from authorized distributors, or, if they themselves package programs, to comply with the same regulations. There would be several advantages. A channel could be shared to carry different program packages at specified hours of the day, or on certain days of the week. The exemplar for that arrangement is the system in operation for commercial television in Britain; program packagers are licensed only for specified regions and for particular

days of the week. In Canada, the number of licensed distributors should not be restricted to so few as to incur the danger of creating vested interests which might inhibit desirable competition in the provision of as broad a range of Canadian pay-TV services as possible. Having regard to the existence of closed-circuit programming, it is essential that the licensing of pay-TV distributors (or program packagers) should be the subject of federal-provincial agreements.

Recommendation 34 The federal government should initiate discussions with the governments of the provinces with a view to the authorization of program distributors to market pay-television services in Canada.

The pay-TV guidelines (Appendix D) propose that "a realistic balance must be established between the audience viewing levels for Canadian and foreign product material." The Committee believes that Canadian-content requirements for pay-TV must be realistic if there is to be any chance of success. The PTN presentation (10.1.4) suggests that 30 percent Canadian content would be economically feasible from the start, and that it would probably be possible to increase the level as pay-TV gradually catches on. Among the opponents of pay-TV, however, the JAC (10.2.5), to take an example, proposes a minimum of 60 percent, while one of its member organizations demands no less than 70 percent. The CRTC has announced its intention to hold a public hearing on the nature of Canadian-content regulations to be applied to the broadcasting system as a whole, and will no doubt be giving consideration to regulations applicable to pay-TV services at that time. It will be for the CRTC to make the decisions, but the Committee hopes that, in formulating new regulations, the CRTC would consider methods of measuring the Canadian content of pay-TV and other services by levels of expenditure as well as applying minimum hours.

Recommendation 35 Consideration should be given to setting the requisite Canadian content for pay-television at a realistic level

responding to the capacity of the Canadian program production industry, which should be reviewed frequently so as to permit the imposition of a higher level as soon as that may appear practicable.

The pay-TV guidelines prescribe that "in order to ensure the availability of the service at equitable rates throughout Canada, satellite should be the preferred method for national delivery." There are three catches to this: first, the proposed existence of regional and local distributors offering different packages of programming; second, the possibility that, in a given locality, there might be no exhibitor willing to take the risk of delivering pay-TV service; and third, the unavoidable delay that will occur in carrying pay-TV by satellite. On the first point, it is believed that it would be unwise to place a strict limit on the number of pay-TV channels that a local delivery system might be willing to offer, within the channel capacity available. Second, there is no way to ensure the local delivery of pay-TV, whether carried by satellite or not, in markets so small as to offer no reasonable prospect of profitable pay-TV delivery service. Third, the limited projected channel capacity on Canadian satellites, coupled with a low priority for carriage, makes it virtually certain that no pay-TV service could be made nationally available by satellite earlier than 1983 or 1984. It seems equally certain that a significant public demand for pay-TV will have developed sooner than that. The introduction of pay-TV should therefore not be delayed until satellite capacity becomes available for its national carriage.

Recommendation 36 The CRTC should encourage competition for licences to effect local delivery of pay-TV services, for which broadcasters, cable operators, and other entrepreneurs should be equally eligible.

A new and flexible approach should be taken. Where there are no available off-air frequencies, broadcasters and other entrepreneurs should be enabled to lease channels on

76 local cable systems for the delivery of their pay-TV programming, and the sharing of cable channels should not be precluded. A viewer who wants to subscribe to pay-TV services should not be required to take the ordinary cable service as well.

Recommendation 37 In any system of differential tariffs for reception of optional television services, there must be an assurance that they not be cross-subsidized by the subscribers to ordinary cable service.

Recommendation 38 Cable undertakings should not be restricted to offering only one pay-TV service, and it is essential that their facilities be made available without discrimination and at charges that are fair and equitable to all authorized pay-TV distributors.

There are two schools of thought about whether or not to permit advertising in association with pay-TV and other optional services. There are those who regard the luxury of being able to view a movie or a theatrical performance without commercial interruption as worth paying fairly handsomely for; the evidence lies in the willingness of many Canadians to send voluntary contributions to the PBS station they can view as cable subscribers. But there is nothing innately repugnant about advertising on an optional channel for which an additional fee must be paid; it is a matter within the control of the viewer. Many desirable optional services aimed at target audiences would not be attractive if the fee were significantly high. In the US target audiences are being served today (apart from Level 3 pay-TV services) by operators relying for their revenues largely on advertisers who recognize small but significant markets for their wares among target audiences, with the result that special programs which would not otherwise be available at all may be viewed for only a few cents a month. In the end, the decision would lie with the potential subscribers to optional services: if they want to escape from commercial messages they will be willing to pay more; if they want the programming seriously enough to put

up with advertisements, they will get the programming they want for less. No general recommendation would be of value, because circumstances will differ among various proposals. Decisions on whether or not advertising should be permitted must therefore be left to the CRTC in its consideration of licence applications for pay-TV services as each is presented.

The Committee has been faced with widely differing estimates of the potential demand for pay-TV in Canada and of the probable depth of penetration. There is a climate of uncertainty that should perhaps not be too readily discounted in response to the optimistic enthusiasm of those who hope to profit. It may take as long as three or four years for penetration to reach a profitable depth, and during that period there will undoubtedly be growing pains. But the real prospect of success will lie in the ability of distributors and exhibitors to judge what the public wants, and what the public is willing to pay for it. Mistakes will be made, and the remedies will be found by empirical methods. Consideration should accordingly be given to authorizing temporary market tests in large urban centers.

Optional services may be paid for either per channel or per program. The technology for both is fully developed by Canadian manufacturers as explained at the public meetings by Bell Canada and Delta-Benco-Cascade Ltd., but the hardware to control payment per program would be the more complex and expensive. Almost all the opinions expressed to the Committee recommended a pay-per-channel system to start off with, leaving room for pay-per-program systems to be added or substituted when a stable market has been established. Some of those who are most anxious to use pay-TV as a shop-window for Canadian productions seem to favor pay-per-program, but recognize that pay-per-channel could become operational sooner and at less expense on hardware.

There is, however, another angle to this. Enforcement of Canadian-content regulations would be more difficult with pay-per-program; all that could be done would be to

require the exhibitor to offer a set proportion of Canadian programs, but such a requirement would have no impact on the amount of Canadian and foreign programs actually viewed. Indeed, the present level of Canadian preference for foreign programs might result in all money available for pay-TV being spent to view foreign programs. It is true that, in time, the preference might become less marked as more and more high-quality Canadian programs come on the market. The most effective way to ensure that more Canadian programs are actually viewed is to require distributors to include a certain percentage of Canadian content in the packages they offer to exhibitors. If the quality is generally high enough, it may be possible to build up a taste for Canadian programs that would justify a pay-per-program system beneficial to Canadian producers. Furthermore, the CRTC will have to monitor the incidence of siphoning (the transfer of programs that are now viewed free to pay-TV packages) with a view to the introduction of appropriate regulations if necessary, and this could be done effectively and simply in relation to a pay-per-channel system.

Some members of the Committee would like to see decisions as between pay-per-channel and pay-per-program left to individual distributors and exhibitors, but perhaps a gradual progress to this desirable objective would be the best way to start off.

Recommendation 39 A pay-per-channel system should be employed in the first instance, but when a stable market for Canadian programs has been established, it should be left to individual distributors and exhibitors to determine the most appropriate method of charging for the programming offered.

We have drawn attention to the potential benefits to the domestic electronics-manufacturing industry arising from a growing demand for scrambling and electronic-trap equipment. The Committee believes that research and development in this field would pay handsome dividends and lead to the creation of increasingly economical means of delivering

pay-TV in Canada, and should therefore be encouraged. The Committee also believes it would be highly desirable to require the use of equipment manufactured wholly or largely in Canada to nationally acceptable standards.

Recommendation 40 Action should be taken, in consultation with the governments of the provinces, to establish technical and operational standards for equipment to be used for local delivery of pay-TV services.

Recommendation 41 The electronic equipment to be used for local delivery of pay-TV services should be wholly or largely of Canadian manufacture.

The last of the pay-TV objectives prescribed for the Committee is that "the development of pay-television in Canada should take place in a framework that fosters the orderly development of the industry and that accommodates the interests and priorities of provincial and federal governments in pay-television." The framework need not be a Procrustean bed, and the pay-TV industry may fail to develop at all if it is tied down with strict limitations and regulations based on broadcasting experience in the past. The opportunity for innovative methods is wide open, and a majority of the Committee believes that the development of the industry would be more orderly in a reasonably competitive climate, and would take less time, than if it were to be administered by a national agency of unpredictable size, which might be less sensitive to the regional and local interests and preferences of viewers in each of the many distinct cultural and regional components of Canada.

A Window on the Future

78 During the course of this inquiry, in which we have travelled far and heard the voice of the people, we have been chiefly impressed by the widespread recognition that new technology can be harnessed to provide amenities of life hitherto almost undreamt of in the northern and remote areas of this vast country. We have heard at first hand of the existence of poorly served areas little more than 100 miles from the great cities in the South, but as much in need of better broadcasting services as the most distant northern outposts. We have heard of the awakened needs of the Inuit and the Indians for communications that would enrich the lives of their communities, and of the staunch determination of many groups to help themselves, by using the broadcast media to preserve the use of their own languages and foster their distinctive cultures. On every hand, there is the knowledge that a new day is dawning, illuminated by the opportunity for innovation that new technology presents. That opportunity must not be missed.

Among the countries of the world, Canada is one in most need of satellite communications, and in the forefront of their technological development. Determination to make the best use of what we have, and to plan for more and better in the future, is the only way to ensure satisfaction of the justifiable requirements of those who now see themselves being treated as second-class citizens in the provision of proper broadcasting services, offering a broad variety of entertainment as well as news and information.

There have always been those, throughout the course of history, who tried to resist the advent of new machines and innovative methods, fearing their use: the writing-clerks who were ruined by the invention of the printing press, the Luddites who broke the new machines, the horse-transport industry which resisted the arrival of the railways. Similar fears today highlight the need for assurance that new communications technology must be the servant and not the master of the public interest.

After listening to the many talented and innovative Canadians who appeared before us during the course of our lengthy public meetings, we are satisfied that new communi-

cations technology will allow more Canadians to participate in the broadcasting system and create room for new services to the entire country. In short, we believe that Canadians are equal to the challenge and, given the opportunity to harness the new technologies to the public benefit, are capable of improving the Canadian presence in the whole field of broadcasting. The communications satellite and other new technologies are here to stay and multiply. Satellites will carry old and new broadcasting services to all parts of the country, and the new services will open a new shop-window for Canadian film-makers and program producers, enabling them to show the world that they are second to none when it comes to quality, variety, and interest.

We have seen the clear outlines of the new broadcasting universe, a universe that opens a window on the future. And the view we have seen through that window is not to be feared, for it shows a better prospect than ever before, of broadcasting services that will attract Canadian viewers and benefit all the people of Canada.

CRTC Public Announcement, 8 January 1980

Extension of Service to Northern and Remote Communities: Establishment of a Committee and of Public Meetings

The Canadian Radio-television and Telecommunications Commission announces the formation of a committee which will issue a report on how the number and variety of television services to northern and remote communities in Canada might best and most expeditiously be increased. It is envisaged that the Committee's report, which is expected by 15 May 1980, will also deal with issues related to satellite distribution of programs and pay-television, since these issues are likely to arise in the context of the proceeding.

The Committee, to be chaired by Commissioner Réal Therrien, will include Commissioners Edythe Goodridge, Rosalie Gower, Paul Klingle, and Gilles Soucy, and Messrs John Amagoalik, David Hobbs, Charles Feaver, and Allan Warrack.

The Committee will receive proposals for service, as well as briefs and comments from the public. The deadline for such submissions will be 18 February 1980. The Committee will conduct a public meeting in the National Capital Region commencing 25 March 1980 to discuss such proposals for service as may have been submitted, as well as their implications for remote communities and for the Canadian broadcasting system. It is expected that the Committee will hold additional public meetings in one or more other locations in Canada, particularly in the North, in response to briefs and comments submitted. The public meetings of the Committee are also expected to discuss the matters raised in a letter from the Minister of Communications to the Commission of 22 November 1979 as well as the suggested objectives and guidelines prepared by federal and provincial officials attached to that letter. (A copy of this letter, which was publicly released on 29 November 1979, is available from CRTC Information Services, CRTC, Ottawa, Ontario K1A 0N2.)

Following the Committee's report, the Commission will decide upon a call for

specific licence applications. This could involve pay-television (either as part of a "package" or separately) provided the Commission is satisfied that pay-television can make a significant and positive contribution to broadcasting in Canada and can make effective use of Canadian resources.

Background

The Commission has long been aware of the lack of television service in remote communities in different parts of the country.

Section 3(3) of the Broadcasting Act states that all Canadians are entitled to broadcasting service in English and French as public funds become available.

This principle has been reflected in the priorities and licensing practices the Commission has followed for over a decade. One of the Commission's major objectives has been to promote the extension of the CBC broadcasting services in both official languages across Canada. In addition, the Commission has, since its inception, pursued concurrently a policy of encouraging the extension of private broadcasting services on a national and regional basis.

In assessing progress towards this objective the Commission's "Special Report on Broadcasting in Canada, 1968-78" stated that the extension of Canadian broadcasting services to Canadians in the last decade has been a very significant and important achievement: 98.21 percent of Canadians outside of Québec can now receive CBC television service and 95.54 percent can receive other Canadian television services. In Québec 99 percent of the population receives CBC French-language television service and French-language service has been extended to 72.83 percent of English-speaking Canada.

The Canadian broadcasting system is rapidly achieving the realization of the Broadcasting Act objective to provide Canadian services to all Canadians in English and French.

There are, however, enormous financial and technical difficulties in providing basic Canadian services to the last two or

80 three percent of the population unserved. The methods adopted for providing this service in unserved areas may require irregular and novel technical and regulatory mechanisms in order to achieve fully the Broadcasting Act objective.

Methods which have been and continue to be used to facilitate extension of service include special arrangements such as supplementary affiliation agreements and support payments from networks, other broadcasters and/or cable systems to broadcasters serving marginally profitable areas. The Commission has, in some instances, licensed "twin stick" operations by which one licensee can provide both CBC and CTV service to a community which otherwise could not support both operations.

In 1979 in approving the renewal of CTV's network licence the Commission stated: "During the 1970s priority was given to the extension of CTV service to unserved areas of Canada. A number of member stations expended substantial funds in this development. It is considered now that, with only a very limited number of exceptions, the member stations should not be expected to undertake further extension of service on an individual basis. Any further extension to more remote communities can only be achieved by other means, such as by satellite delivery, requiring action by the network rather than individual stations."

In recognition of the problem the Commission held a public hearing on 17, 18, and 19 October 1978 in Thunder Bay, Ontario to consider applications and hear general representations on the extension of broadcasting services to remote communities of northern Ontario. As a result, a public announcement was issued with respect to the extension of broadcasting services to small and remote communities on 27 June 1979. In that announcement, the Commission noted that: "a significant number of communities remain without any alternative television service. While it is the expressed intent of those in the Canadian broadcasting industry to remedy these deficiencies as resources become available, it is also clear that the resources are not

currently available nor are they likely to be come available in the near future.

In the interim, new and innovative means must be found to meet the immediate and pressing needs of those Canadians to whom basic broadcasting services are not available. For its part, the Commission is prepared to consider exceptional regulatory procedures to facilitate the implementation of extension of service plans. The special circumstances of communities receiving no television service or receiving only the national service of the CBC will be taken into special consideration by the Commission in dealing with applications to extend a broader range of broadcasting services to such areas."

This problem is not confined to northern Ontario but is a Canada-wide concern. The remote communities across the country desire a greater choice of television program services. Because of the geography and population distribution of Canada, satellites have the potential of being the most cost-effective technology to meet these demands. There is, however, a serious gap between the distribution capability of Canadian satellites and their current use for television. The Commission has accordingly decided to convene a two-phased public process on this matter.

Public Meeting

The first phase of the public process, which is the subject of this announcement, calls for proposals or submissions of intent from industry interests and comment from the public. Submissions should be as specific and concrete as possible and should address the following list of issues and questions. This list may be augmented at a later date once the Committee begins its work.

1. Programming Services

As a general principle, the Commission would wish to see broadcast services extended to all Canadians in the order of priorities set out in Section 6 of the Cable Television Regulations. Specifically, this would be (i) CBC service, (ii)

where appropriate, the service of an educational authority broadcasting educational programming, (iii) the services of private television licensees, and (iv) when these requirements have been met, optional services. These could be as diverse and as innovative as applicants might suggest and could include audio services. In setting out these priorities the Commission recognizes the special cultural and linguistic concerns of the native communities in the more remote areas of the country. Accordingly, the Commission wishes to ensure that the provision of broadcast services be responsive to their needs and concerns, and that native groups play a significant role in determining their programming requirements. The Commission will also wish to receive comments on the most appropriate means of distributing programming services in the communities concerned.

2. Satellite Distribution

Utilization of satellites would mean that new program services would become available not only to remote areas but to the entire country. It is assumed also that such program services in areas with licensed cable systems would be distributed on those systems. In considering the implications for the broadcasting system as a whole it should be noted that in response to the statutory direction contained in Section 3(j) of the Broadcasting Act that "the regulation and supervision of the Canadian broadcasting system should be flexible and readily adaptable to scientific and technical advances," the Commission is prepared to give serious consideration to suggestions for modifications to present policies where such modifications would be likely to result in the extension of services or to otherwise make a positive contribution to the aims and objectives of the Broadcasting Act. In particular the Commission wishes to draw attention to the following specific areas of existing broadcasting regulatory policy which should be addressed in proposals and on which public comment is encouraged.

a. Access to the Broadcasting System, Nationally and Locally

Many representations have been made to the Commission from various community groups of the importance to them of local programming, particularly in remote areas with limited communication facilities. Accordingly, the question of local input to signals transmitted principally by satellites should therefore be addressed. Consideration should also be given to providing access for programs produced in remote communities to other such communities and to the country as a whole. In all submissions a major concern should be to ensure the fullest possible access to Canadian audiences by Canadian producers.

b. Relationship of Satellite-Delivered Service to Existing Off-air Services

The Commission is concerned that the introduction of new satellite-delivered program services not deprive the public of continuing access to the programming provided by presently licensed local broadcasters. At the same time there is a clear requirement to broaden the range of program choice as much as possible to ensure programming that is "varied and comprehensive."

A concrete issue in the above context is presented by so-called superstations, i.e., single stations distributed nationally by satellite. The Commission has generally restricted carriage on cable of distant Canadian signals to stations which cable operators can receive over-the-air at their local head ends, although exceptions have been made to this in specific situations.

The Commission seeks comment and advice on whether and to what extent adjustments may be required to exploit the potential offered by satellite technology while ensuring that possible conflicts with the program services offered by existing licensees are resolved in the public interest.

82 c. **Financing of the
New Services**

Apart from the CBC and provincial educational services, broadcasting in Canada is generally supported by advertising revenues.

The community channel of cable systems on the other hand is supported from subscription revenues. Traditionally the Commission has viewed cable television service as a composite service having a fixed price for the entire package. As the services offered increase both in absolute numbers and in range and diversity of content, it may be that a multi-tiered pricing system whereby the subscriber could choose among various groups of program services at various prices, may be more appropriate. New services may thus draw their financial support directly from subscribers, or from advertising revenues, or perhaps from a combination of the two.

The Commission recognizes that such multi-tiered pricing may create significant technical problems for cable licenses and will be interested in hearing all submissions dealing with the possible methods of financing new satellite-delivered services.

d. **Cross-Subsidization**

The Commission recognizes that it may be uneconomical to deliver program services by satellite solely to a limited number of small communities. While the Commission does not insist that any plan adopted entail cross-subsidization of smaller communities by larger ones, it would encourage comment in this area. The possibility exists that reasonable schemes may be developed that will encourage the widest availability of services at the least cost overall.

Another form of cross-subsidization could occur among the actual services distributed by satellite. There is therefore an issue to be addressed of profitable services supporting services which, while deemed of merit from a public policy viewpoint, would not be self-supporting on a commercial basis.

e. **Cable Carriage Priority**

The present priorities for the carriage of television signals on cable systems are set out in Sections 6 to 9 inclusive of the Cable Television Regulations. These regulations reflect the Commission's concerns with the service provided by local broadcasters in their own market. These concerns in turn are predicated on the definition in the Broadcasting Act of cable being an extension of over-the-air broadcasting. Local services are generally deemed to have priority and certain precedence, with other services considered optional.

With the proposed satellite delivery of new programming services to a multitude of markets, how should priorities best be established? Should certain satellite-delivered Canadian programming services, such as the proceedings of Parliament, have precedence over existing optional (usually American) stations in each market? If a tiered-pricing system were to be accepted, what services should constitute the basic service available to all subscribers?

f. **Technical Considerations**

The national delivery of program services is complicated by the fact that Canada has six time zones. The use of spot beams from a satellite can reduce the number of time zones which must receive simultaneous programming. Program scheduling over a 24-hour day of essentially non-time-sensitive programs may be one solution, or an orientation to the central time zone with consequent dislocations for other areas of the country may be necessary. Other proposed solutions such as recording and delayed playback at the receiving end will also be considered.

It should also be noted that current satellite distribution technology is of the point-to-point type requiring cable television systems or rebroadcasting stations as means of terrestrial distribution to reach viewers. The Department of Communications' licensing policy limits the ownership of earth terminals

designed to receive satellite signals to licensed broadcasting undertakings or common carriers. The uplink facilities are licensed only to Telesat Canada.

In the longer term, current technology is one step in the evolution of satellite delivery systems. Studies and experiments are under way to determine the feasibility of direct-to-home broadcasting via satellite. Therefore, the Commission would also welcome any comment or proposals on the potential use of the 14/12 GHz segment of future satellites and the possibilities and implications of satellite technology as it will probably develop in the next five or ten years.

g. Telesat/TCTS Charges for Satellite Services

The Commission is aware that one of the main financial impediments to distributing programming by satellite is the cost of leasing channel space. The questions of Telesat Canada's terms and conditions for the transmission of programming and other services will be issued at the public hearing announced in the Commission's Telecom Public Notices 1979-32, 1979-34, 1979-37, and 1979-38 respecting certain tariff applications submitted by Bell Canada, BC Tel, and Telesat Canada. Organizations and individuals wishing to intervene at this hearing are invited to refer to the cited public notices by writing to the Commission with copies to the applicants on or before 11 January 1980.

3. Pay-TV

During the public hearing on pay television of June 1977, the Commission received 181 submissions and heard the representations of 26 major organizations and individuals on the form and function of a national pay-television distribution system. Because there was a lack of definitive information on pay-television in Canada, most representations received by the Commission generally lacked a comprehensive assessment of a pay-TV system for Canada.

In particular, the committee should make recommendations as to whether or not pay-television can make a significant and positive contribution to broadcasting in Canada and make effective use of Canadian resources.

The Commission wishes to emphasize that the principal focus of the present proceeding is service to the northern and remote communities of Canada. Pay-television arises, in the view of some observers, in connection with the viability of delivering such services by satellite. At the same time, pay-television raises real and important implications for the whole Canadian broadcasting system, to which the committee must give careful consideration.

The Commission expects that persons submitting briefs will direct themselves to the issues and concerns raised in the Commission's "Report on Pay Television," March 1978 (copies are available from CRTC Information Services).

Submissions

The Commission urges all parties with comments and opinions on the subjects of extension of services to remote areas, the satellite distribution of programming, and pay-television to contribute to this phase of the public process. Written submissions should be filed with the Secretary General of the Commission (CRTC, Ottawa, Ontario K1A 0N2) on or before 18 February 1980. Persons filing the same should indicate whether or not they wish to appear at a public meeting. The Commission will announce details regarding the public meetings at a future date.

J.G. Patenaude, Secretary General

Correspondence between the federal Minister of Communications and
CRTC Acting Chairman, November 1979

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Mr. Charles Dalfen
Acting Chairman
Canadian Radio-television and
Telecommunications Commission
Central Building
Terrasses de la Chaudière
1 Promenade du Portage
Hull, Québec
K1A 0N2

Dear Mr. Dalfen:

I am writing to you to apprise you of my immediate concern with regard to two important matters: the satellite distribution of television programming, and pay-television. As you know, these have been the subject of much deliberation in the recent past, including the Federal-Provincial Conference of Communications Ministers held in October.

In accordance with the discussions which you and I, along with some of your colleagues, have had on these matters, I understand that the CRTC attaches great importance to the provision of a greater variety of television signals to the remote areas of this country (I have in mind your public announcement of 27 June 1979, "Extension of Broadcasting Services to Small and Remote Communities), and that it is the Commission's intention to call for a two-phased public process as soon as possible on that subject. I understand also that the process could encompass the questions of satellite distribution and pay-television.

You have also given me to understand that for the first phase of the process, prior to any licensing, it is the Commission's intention to involve provincial representatives in the consideration of the relevant issues. I strongly support this and believe it will serve a very useful purpose.

On the question of satellite distribution, my attention has been increasingly drawn, as has the Commission's, to the many Canadians living in rural and remote communities who do not have access to the number and

variety of broadcast services widely available in more populated areas of the country. I have discussed this matter with my provincial counterparts who have emphasized the need for concrete action to bring diversified television services to people living in isolated areas. I believe that satellite technology in Canada has progressed to the point where it is now technically feasible to provide all Canadians with a variety of broadcast services in the English and French languages.

Moreover, the rapid proliferation of satellite television services in the United States, and their technical availability in Canada, has prompted numerous requests from the public and industry for permission to receive these foreign signals. As you know, the instances of unauthorized reception of US satellite signals in Canada are rapidly increasing in number. I am very concerned about this growing problem particularly as it impacts significantly on the development of Canadian satellite television services and the domestic broadcasting system in general. Although there is an increasing demand for American satellite signals, a strong interest has also been expressed by various parties in Canada to use the domestic satellite system to distribute broadcast signals throughout the country.

I think you will agree that the time has now come to examine the potential that satellite delivery of broadcast services may have for Canadian broadcasting, and provide a coherent policy and regulatory framework for the development of these services. The prospect of widespread satellite distribution of television signals in Canada raises a number of important broadcasting policy issues, which in my view warrant full consideration in a public forum.

The sense of urgency to proceed with satellite television services in Canada is, in my view, paralleled in the area of pay-television. The pressures to introduce pay-television more widely in Canada have become an important element of any approach to establishing a national Canadian pay-television service in the near future. The rapid and extensive development of pay-television in the United States has led potential Canadian oper-

ators to advocate strongly similar services in Canada. In addition, American pay-television operators are beginning to provide broadcast pay-television services rather than the traditional cable delivered programs. Some of the broadcast signals are available in Canada although the necessary signal decoders are not currently available to Canadians. The pressures resulting from the American experience are compounded by the piecemeal or ad hoc introduction of Canadian pay-television services.

I am concerned about dealing with these pressures in a timely fashion since, in my view, pay-television offers a new and unique opportunity to support the Canadian broadcasting system. In particular, pay-television is a new opportunity to encourage the development of Canadian programs. However, if piecemeal Canadian services and American services from stations near the Canadian border occupy the Canadian market, it will be very difficult, perhaps impossible, to take advantage of the cultural and economic opportunities offered by pay-television.

At the recent Federal-Provincial Conference of Communications Ministers, the federal government circulated a discussion paper dealing with the satellite distribution of television programming and pay-television. Contained in that paper was a suggested two-phased approach, as well as a broad set of suggested objectives and guidelines for each service. There was a consensus among ministers that federal and provincial officials should finalize these objectives and guidelines, with a view to assisting the Commission in establishing the terms of reference for the two-phased public hearing process. Officials met in Ottawa soon thereafter, to discuss the objectives and guidelines for both satellite distribution and pay-television. Not surprisingly, given the complexity of the issues involved, unanimity was not possible. However, I am pleased to note that a general consensus was reached, and the revised objectives and guidelines are attached.

In addition to the attached objectives and guidelines, I should like to add the following considerations. It is clear to me, as

I know it is to the Commission, that the increased use of satellites and any Canadian pay-television service must make a significant and positive contribution to broadcasting in Canada and make effective use of Canadian resources. With regard to satellite distribution, it is my view that priority should be given to the delivery of basic Canadian broadcast services including educational programming, to those areas not presently receiving them. In support of this, however, consideration should be given to the inclusion of other Canadian signals like independent and specialized programming, and if necessary to the financial viability of the overall service, foreign signals. I would also welcome an indication from interested parties of the marketability of Canadian programs in foreign markets.

I should like to point out that if consideration is to be given to limited reception of US satellite TV signals, it is important that all parties be made aware of certain international arrangements necessary for such a course of action to be acceptable. While the government of Canada fully recognizes that this measure could complement Canadian satellite services, the Department of Communications can only license such services pursuant to the Radio Act once the government of the United States is in agreement on an appropriate reciprocal arrangement. It would also be necessary under the terms of the Intelsat Agreement, to which Canada is a signatory, for Canada and the United States to consult with Intelsat.

The results of the anticipated public review should provide valuable assistance in formulating an appropriate policy and regulatory framework for dealing with the questions of satellite television services and pay-television. Because of the importance of these issues, I strongly believe that they should be considered in an environment in which the public interest remains paramount.

Yours sincerely,

David MacDonald

The Honourable David MacDonald, P.C., M.P.,
Secretary of State and Minister of
Communications,
House of Commons,
Ottawa, Ontario

Dear Mr. MacDonald:

My colleagues and I would like to thank you for your letter of 22 November.

Your understanding of the Commission's concerns is correct. We intend to convene a two-phased public process on how the number and variety of television services to northern and remote communities may best and most expeditiously be increased, and the issues of satellite distribution and pay-television are naturally expected to arise in that process. Phase I of the process will involve the establishment of a committee of the Commission which will report publicly to it. Phase II will involve such licensing hearings as may be held, in part as a result of the recommendations of the Committee.

Your understanding is also correct regarding our determination to include provincial representatives during the first phase of this process, consistent with the initiatives taken by the Commission in other proceedings (for example the recently completed proceeding dealing with the connecting agreement between the city of Prince Rupert and the British Columbia Telephone Company and the current proceeding on trans-Canada telephone rates). It is intended that the committee to be struck in Phase I will comprise seven members, half the members and the Chairman to be drawn from the Commission's membership and half to be composed of provincial representatives.

In the telecommunications proceedings noted above, the Commission invited the chairmen of provincial regulatory agencies to nominate representatives to the federal-provincial committees established. In this case, however, since no such agency regulates broadcasting matters, we would ask if you would be prepared to forward the names of provincial nominees to the Commission. Since only three such nominees would be selected,

the CRTC membership on the committee would be selected to ensure the widest possible representation from across the country.

The job of the committee (which should be struck and begin its work by the end of the year) would be to report on how a greater variety of television services could be brought to the remote communities of Canada. It would involve a review of many questions including the optimal use of satellites, whether pay-TV ought to form part of a "package," what type of licences might be contemplated and a host of related questions. It is envisaged that the committee would conduct a public hearing to discuss proposals for service from various groups and individuals, which proposals would be expected to be as concrete and as specific as possible. The committee would also have the benefit of the views expressed in your letter, of the suggested objectives and guidelines prepared by federal and provincial officials, which you were good enough to attach to your letter, and of your advice on the international legal issues arising from certain satellite reception possibilities.

Following the committee's report, the Commission would decide upon a call for specific licence applications. This could involve pay-television (either as part of a "package" or separately), provided the Commission is satisfied that pay-television can make a significant and positive contribution to broadcasting in Canada and can make effective use of Canadian resources. Should it be your intention to formulate revised suggested objectives and guidelines, these could presumably be introduced in a timely manner so that they could be fully discussed at the licensing public hearing.

It would be the Commission's intention to issue a public notice outlining the above procedures as soon as possible.

May I close by expressing my agreement and that of my colleagues with your view that these important matters should be considered in an environment in which the public interest remains paramount.

Yours truly,

Charles M. Dalfen

27 November 1979

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Mr. Charles Dalfen
Acting Chairman
Canadian Radio-television and
Telecommunications Commission
Central Building
Terrasses de la Chaudière
1 Promenade du Portage
Hull, Québec K1A 0N2

Dear Mr. Dalfen:

Thank you for your prompt response to the concerns I expressed to you with regard to the satellite distribution of television programming and pay-television. I am pleased that you concur with my view that these questions should be addressed on an urgent basis, and that the CRTC intends to convene a two-phased public hearing process in this regard.

I am equally pleased by your intention to establish a committee with provincial representation to conduct the first phase of the process. I believe that such a committee should have the widest possible representation from across the country. Accordingly, I have written to my provincial counterparts inviting them to select nominees and forward them to me. I have asked for one nominee from each province, which I will subsequently forward to the Commission for its consideration. I have informed provincial ministers that from this list of nominees the Commission will select three representatives to sit on the committee.

Following this first phase of the process, it would be my intention to consult my provincial counterparts concerning the committee's public report. During these consultations, it may be opportune to formulate revised suggested objectives and guidelines which could be introduced in a timely manner in order that they be discussed at the licensing public hearing.

In closing, I should like to thank you for your co-operation, and the prompt attention which you have given these matters.

Yours sincerely,

David MacDonald

Satellite Distribution of Television Programming: Objectives and Guidelines
(as attached to the Minister's letter; see Appendix B)

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I. Objectives

1. To extend services to inadequately served areas of the country, in both official languages, in order to upgrade the level of service throughout Canada.
2. To provide a broad range of satellite television services in a manner that will respond to viewer preferences and demands, and will enhance Canadian broadcasting and program production, their future development, and the cultural sovereignty of the country.
3. To make more efficient use of satellite technology as one of several alternative transmission and distribution technologies.
4. To provide an attractive alternative to the reception of foreign satellite signals, and ensure the orderly development of satellite television reception in Canada.
5. To encourage equalization mechanisms between urban and rural/remote areas.
6. To develop satellite television services in a manner which takes into account the efforts of individual provincial governments to extend services within their boundaries.

II. Guidelines

1. The total satellite-delivered service made available to the Canadian viewer (including the possible reception of US satellite signals) should be predominantly Canadian.
2. Pursuant to the above, any foreign signal importation and distribution should be subject to established regulatory and licensing procedures.
3. The introduction of satellite televi-

sion services in Canada should be in harmony with policy initiatives designed to increase audiences for Canadian television programs, and the development of a more contemporary national broadcasting service.

4. Satellite television services should not impede the further development of local and regional programming. This is particularly important in regard to the cultural needs of the native peoples in northern areas.

Pay-Television: Objectives and Guidelines
(as attached to Minister's letter; see Appendix B)

I. Objectives

- 1. Pay-television should satisfy the demands of the public for high quality and complementary programming, and should ensure benefits to Canadian program production and distribution.
- 2. Canadian program producers should have significant access to pay-television distribution systems.
- 3. Pay-television should provide new markets for Canadian programs, new sources of revenue for Canadian program producers, and new pools of investment funds for Canadian program production.
- 4. Canadian programs should be produced for pay-television which will appeal to Canadian audiences and some of which can be sold in international markets.
- 5. Pay-television programming should be available in Canada's two official languages and should ensure fair regional balance in the production and distribution of programming.
- 6. Pay-television should be distributed to all parts of Canada at equitable rates.
- 7. The development of pay-television in Canada should take place within a framework that fosters the orderly development of the industry and that accommodates the interest and priorities of provincial and federal governments in pay-television.

II. Guidelines

- 1. The introduction of pay-television should initially be through the vehicle of one national distributor but should also permit regional and local pay-television distributors to acquire programs and market them to local exhibitors.

- 2. The delivery of pay-television to the viewer would be undertaken by a licensed local exhibitor.
- 3. The distributors should arrange for the most appropriate method of delivering programs to local exhibitors. However, in order to ensure the availability of the service at equitable rates throughout Canada, satellite should be the preferred method for national delivery.
- 4. Distributors should be the primary mechanism for the acquisition of Canadian programs by means of investments, purchases, or other funding arrangements, and should market these programs to local exhibitors.
- 5. Program producers, distributors, and exhibitors should determine the most beneficial method of payment for viewing, and consideration should be given to both pay-per-channel and pay-per-program methods. In practice, a combination of pay-per-channel and pay-per-program might gradually evolve over time.
- 6. A realistic balance must be established between the audience viewing levels for Canadian and foreign product material.
- 7. Programs available via the present Canadian broadcasting system and in Canadian cinemas should not be siphoned onto a pay-television service.
- 8. Pay-television distributors could include mixed consortia, which may operate on a non-profit basis -- involving both public, federal (e.g. CBC, CFDC), and provincial, as well as private participation -- and could also include independent profit-making entities such as broadcasters, cable operators, symphony orchestras, professional sports organizations, entertainment industries, etc.
- 9. Cable licensees and other local delivery system operators must provide other potential exhibitors access to their systems on reasonable terms and conditions.

Public Meetings of the Committee

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The Committee received 387 submissions and many other comments from concerned citizens. Listed below are the appearances at the five public meetings held by the Committee.

**Baker Lake, Northwest Territories,
28 February 1980**

Canadian Broadcasting Corporation (Radio),
Northern Service, Rankin Inlet, NWT

Inuit Tapirisat of Canada, Ottawa, Ont.

Private citizens who appeared in an informal
question and answer session

Whitehorse, Yukon Territory, 1 March 1980

Government of the Yukon, Ministry of
Municipal Affairs, Whitehorse, YT

Carolyn Thompson and petition of 332
signatories, Whitehorse, YT

WST Cablevision, Cassiar, BC

Fort Nelson Cablevision, Fort Nelson, BC

Inuvik TV Committee, Inuvik, NWT

Council of the Yukon Indians, Whitehorse, YT

Grafton Njootli, MLA, Old Crow, YT

Canadian Broadcasting Corporation,
Yukon area, Whitehorse, YT

Motion Picture Theatre Associations of British
Columbia and the Yukon,
Victoria, BC

British Columbia Television System,
Vancouver, BC

Canadian Satellite Communications Inc.,
Vancouver, BC, Calgary, Alta., and

Whitehorse, YT

Canadian Satellite Systems Ltd.,
Whitehorse, YT

Vern Toews, Alderman, Whitehorse, YT

Northern Television Systems Ltd.,
Whitehorse, YT

Full Gospel Businessmen's Association,
Whitehorse, YT

Dennis Senger, Whitehorse, YT

Finlay McRae, Whitehorse, YT

Lo-Bird Mobile Home Park, Whitehorse, YT

Chamber of Commerce, Whitehorse, YT

Denis Chamberlist, Whitehorse, YT

Performance Communications, Watson Lake,
YT

Geraldton, Ontario, 22 March 1980

Michael Power, Mayor, Geraldton, Ont.

J. Stokes, MLA, Lake Nipigon, Ont.

A. Herridge, Deputy Minister,
Ministry of Northern Affairs,
Government of Ontario

Canadian Union of Base Metal Workers,
Manitouwadge, Ont.

Township of Manitouwadge, Ont.

W. Hatchard, Reeve, Nakina, Ont.

Township of White River, Ont.

Keith Penner, MP, Cochrane, Ont.

Township of Schreiber, Ont.

Le Club canadien français de Longlac, Ont.

M. Belisle, Association of Northern Ontario West, Caramat, Ont.

Grey Withers, representing the Ontario Provincial Police (Nakina Detachment), the Kimberly-Clark Corporation and other major corporations (and their employees), and residents of Nakina, Ont.

Norcom Telecommunications Ltd., Kenora, Ont.

Television Hornepayne Ltd., Hornepayne, Ont.

Canadian Paper Workers Union, Local 528, Red Rock, Ont.

M. Gordon, Economic Development Committee of Nipigon, and Laurentian Publishing, Nipigon, Ont.

American Can of Canada Ltd., Marathon, Ont.

Paper Workers International Union, Local 548, Marathon, Ont.

Township of Marathon, Ont.

P. Speers, Township of Terrace Bay and United Transportation Union, Terrace Bay, Ont.

Improvement District of Dubreuilville, Ont.

Lakeshore Community TV Ltd., Terrace Bay, Ont.

Dryden Community TV Ltd., Dryden, Ont.

Modern Radio and TV Systems, Geraldton, Ont.

Graham Pearson, Longlac, Ont.

Township of Longlac, Ont.

Goose Bay-Happy Valley, Newfoundland (Labrador), 24 April 1980

Combined Councils of Labrador, Labrador City, Labrador

Labrador Inuit Association, Nain, Labrador

Newfoundland Cable Consortium and Shellbird Cable Ltd., Corner Brook, Nfld.

Churchill Falls Satellite Television Committee, Churchill Falls, Labrador

Community Recreation Rebroadcast Service, Service, Labrador City, Labrador

Labrador Resources Advisory Council, Labrador City, Labrador

Denis McGee and other residents of St. Anthony, Nfld.

Veryan Hayson, Happy Valley, Labrador

Henry Shouse, Goose Bay, Labrador

Larry Jackson, Goose Bay, Labrador

Newfoundland Telephone System, Labrador Area

Canadian Broadcasting Corporation, Northern Services

Ottawa/Hull (National Capital Region), March - April 1980

Ministry of Transportation and Communications, Government of Ontario

- 92 Grand Council of the Crees (of Québec) and Cree Regional Authority with the Lake Mistassini Communications Society, Northern Québec, Montréal, Qué.
- Nathan Elberg, Montréal, Qué.
- Norman Regional Development Corporation, Thompson, Man.
- New Town of Fort McMurray, Alta.
- Educational Television Centre, Memorial University, St. John's, Nfld.
- Canada Council, Ottawa, Ont.
- Association canadienne-française de l'Ontario, Ottawa, Ont.
- Conseil régional de développement de l'Abitibi-Témiscamingue, Rouyn, Qué.
- Canadian Association for Adult Education, Toronto, Ont.
- Crossroads Christian Communications Inc., Toronto, Ont.
- Canadian Broadcasting League, Ottawa, Ont.
- Canadian Association for Better Broadcasting, Outremont, Qué.
- Canadian Conference of the Arts, Ottawa, Ont.
- Douglas A. Fisher, London, Ont.
- TV Network Advisory Committee of the CBC Affiliates
- Joint Broadcasting Committee, Association of Canadian Advertisers/Institute of Canadian Advertising, Toronto, Ont.
- Canadian Petroleum Association, Calgary, Alta.
- Association of Canadian Television and Radio Artists, Toronto, Ont.
- Canadian Broadcasting Corporation, Ottawa, Ont.
- CTV Television Network Ltd., Toronto, Ont.
- Réseau de télévision TVA, Montréal, Qué.
- Global Television Network, Don Mills, Ont.
- Canadian Association of Broadcasters, Ottawa, Ont.
- Union des artistes, Montréal, Qué.
- Multilingual Television (Toronto) Ltd., Toronto, Ont.
- CanWest Communications Corporation, Winnipeg, Man.
- Ontario Educational Communications Authority, Toronto, Ont.
- Telesat Canada, Ottawa, Ont.
- TransCanada Telephone System, Ottawa, Ont.
- National Film Board of Canada, Montréal, Qué.
- Lively Arts Market Builders, Inc., Toronto, Ont.
- Switzer Engineering Services Ltd., Mississauga, Ont.
- Canadian Cable Television Association, Ottawa, Ont.
- PTN Pay Television Network Ltd., Toronto, Ont.
- Cable Satellite Network Inc., Toronto, Ont.
- Canadian Satellite Communications Inc., Vancouver, BC
- Conestoga Satellite Services Ltd., Kentville, NS

Norcom Telecommunications Ltd., Kenora, Ont.

Showtime Entertainment, New York, NY

Bell Canada, Ottawa, Ont.

Delta-Benco-Cascade Ltd., Rexdale, Ont.

All-View Network One Inc. and Northstar Home Theatre Inc., Mississauga, Ont.

QCTV Ltd., Edmonton, Alta.

Vidéo Déry Ltée, Ville de la Baie, Qué.

Association des câblodistributeurs du Québec Inc., Montréal, Qué.

Classic Communications Ltd.,
Richmond Hill, Ont.

Motion Picture Theatre Association of
British Columbia, Victoria, BC

Joint Action Committee on Pay-TV and
Satellite Policy, Toronto, Ont.

Independent Producers Committee for Pay
Television, Toronto, Ont. and
Montréal, Qué.

Mark Rose, MP, Mission-Port Moody, BC

Motion Picture Theatre Associations of
Canada, Toronto, Ont.

P. Fisher, Peterson Communications Group,
Victoria, BC

Home Box Office Inc., New York, NY

Taqramiut Nipingat Inc. and Inuit Tapirisat
of Canada, Sugluk, Qué.

Northern Lights Entertainment Ltd.,
Cranbrook, BC

Werner Schneeberger, Cassiar, BC

Astral Bellevue Pathé Ltd., Montréal, Qué.
and Toronto, Ont.

David Brough, West Hill, Ont.

Membership of Some Groups Making Presentations to the Committee

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**1 Joint Action Committee on Pay-
Television and Satellite Policy**

Association of Canadian Television and Radio
Artists
National Association of Broadcast Employees
and Technicians
Directors' Guild of Canada
Le Syndicat général du cinéma et de la
télévision
Council of Canadian Filmmakers
Canadian Conference of the Arts
Canadian Labour Congress
Council of CUPE Broadcasting Bargaining
Units
Inuit Tapirisat of Canada
Canadian Broadcasting League
Consumers' Association of Canada, Regulated
Industries Program

**3 Independent Producers Committee
for Pay Television**

Alberta Motion Picture Industry Association
L'Association des producteurs du film du
Québec
Canadian Association of Motion Picture
Producers
Canadian Animation Producers Association
Canadian Film and Television Association

2 A Group of Ontario Cable Operators

Several members of the Ontario Cable Tele-
communications Association made presenta-
tions to the Committee expressing similar
views. They included:

Airland Communications Services, Strathroy
Bluewater Cable, Goderich
Cablevue (Quinte), Belleville
Classic Communications, Richmond Hill
Clearview Cable, Simcoe
Fergus-Elora Cable, Fergus
Grimsby Cable, Grimsby
Lakeshore Community Television, Terrace Bay
Pickering Cable, Pickering
Southport Cable, Port Elgin

